

Polish Bosses Find Their Best Men Speak Russian

By Stephen Engelberg
New York Times Service

PRZEMYSL, Poland — In the factories and on the construction sites of eastern Poland, there is a new model employee these days. Trustworthy, tireless and willing to accept half the prevailing wages, these highly prized workers speak broken Polish and are likely to answer to names like Nikolas, Mikhail or Ivan.

They are Russians, Lithuanians and Ukrainians. Like the Poles who have for years streamed west to work without permits in America and Western Europe, they are flocking to Poland, eager to earn sums equivalent to eight months' Soviet pay in a month. Some enter legally, while many more come on tourist visas and then melt into the cities and countryside, wherever there is work.

The result is a paradox of Eastern Europe's uneven transition to capitalism. While state enterprises in the Soviet Union have earned a reputation for inefficiency and indolence, Polish employers in this border region speak of Soviet workers in awe-struck tones — even as Poles continue to supply the West with cheap, illegal labor.

"They work for much less money; they don't need vodka, and they work without supervision," said Michal Rabski, who owns two cosmetic stores and is putting the final touches on his three-story home. His construction crew consists of two Nikolas and a Pyotr, all from Sambar, a Ukrainian city about 55 kilometers (35 miles) from the border.

"Look at the way they work — everything is neatly put away," Mr. Rabski said with evident delight. "If they were Poles, half of the village would be up here having drinks."

To the visiting Soviet workers, the most important feature of Poland's economic program is the internal convertibility of the Polish currency, the zloty. While foreigners are officially barred from trading zlotys for dollars or other foreign currency, the exchange counters in various Polish cities serve all comers.

Soviet visitors can also use their zlotys to buy goods that are scarce in the Soviet Union — from cars to children's clothing — and resell them back home at a large profit.

The two Nikolas and Pyotr are typical. They entered the country legally, sponsored by a Polish construction company, and work in their spare time for Mr. Rabski, earning 10,000 zlotys per hour, a bit less than \$1 and about half of what Poles make for comparable labor.

Their total monthly pay, 1.4 million zlotys, turns into \$128, which in turn can be traded for at least 4,000 rubles at the current black-market exchange rate — eight months' pay for the average Soviet factory worker, although workers in private, cooperative and other enterprises can earn much more.

A year ago, officials throughout Eastern Europe feared the imminent arrival of hundreds of thousands, perhaps millions, of refugees from a collapsing Soviet Union.

That threat has not materialized, but Polish officials worry that the loosening of travel restrictions in the Soviet Union presages a flood of migrant workers who will take jobs from Poles or force local wages lower. Poland shares a border with Lithuania, which recently won its independence, and the Ukraine, which has similar ambitions.

The phenomenon reflects the differing pace of economic change in the two countries. Poland is in the second year of a far-reaching program that filled once empty shops with goods; the Soviet Union is still debating the first steps toward dismantling its command economy. Further, Soviet workers have little or no incentive to work.

Local officials say they have no solid estimate on how many Soviet citizens are working in Poland, but they acknowledge that the number is growing, with most taking jobs in construction and private factories. More than 4 million Soviet citizens have visited Poland this year, and tens of thousands are known to be legally in the country.

"Things in Poland are in good order," said the younger Nikolas at

See NIKOLAIS, Page 5



Yugoslav Army soldiers loading mortar on Sunday during an assault on Croatian positions in the city of Vukovar in eastern Croatia.

EC Warns Yugoslavia of More Sanctions

By Blaine Harden
Washington Post Service

ZAGREB, Yugoslavia — The European Community tried Sunday to force peace upon Yugoslavia's warring parties with threats of economic isolation, but fighting intensified across the breakaway republic of Croatia.

The escalation of the ethnic war between Croats and Serbs came a day after a general call to arms by the Croatian president, Franjo Tudjman. He called on "all forces" to defend Croatia from "Serbian imperialists and the bloodthirsty remnants of the Yugoslav Communist military."

Guns and uniforms were handed out to new volunteers in several cities and towns across Croatia.

General Andrija Raseta, a Serb and the deputy commander of federal forces in Croatia, said Mr. Tudjman was "asking for all-out war."

For the second straight day, Mr. Tudjman and the federal minister of defense, General Veljko Kadijevic, failed to agree on how to carry out a proposed cease-fire. The squabbling appears to have crippled a potentially far-reaching political accord reached by the warring parties Friday in The Hague.

Seemingly fed up with the unwillingness of the Yugoslavs to stop shooting at each other, EC foreign ministers warned the combatants that unless they stopped fighting by

midnight Monday, trade and economic sanctions would be imposed. "We have to make the protagonists in this disaster realize that if by Monday people have not respected the agreement, the Community will take measures against those who do not fulfill the accord," the Spanish foreign minister, Francisco Fernandez Ordóñez, said in the Netherlands.

Possible economic measures that the EC ministers said might be taken range from an oil embargo to full economic and trade sanctions. There "was" discussion, however, among several foreign ministers about the Community's ability to force peace with economic threats.

The Dutch foreign minister, Hans van den Broek, said that the European Community was "reaching the limits" of what it could do.

There were three air strikes on Sunday by Yugoslav jets within eight kilometers (five miles) of Zagreb, the Croatian capital. One of the strikes hit a small airport, killing a Croatian militiaman and injuring four.

The coastal city of Zadar was reported on Sunday to have been encircled by federal tanks. Croatian radio said the city had been pounded by a daylong bombardment from fighter jets, helicopters and tanks.

The eastern city of Vukovar, un-

See SANCTIONS, Page 6



Crown Prince Alexander of Yugoslavia, 46, kissing turf from his native village brought to Belgrade for his first visit to Yugoslavia.

Extremists in Germany Step Up Attacks

Compiled by Our Staff From Dispatches

BONN — Rightist gangs stepped up racist attacks in Germany over the weekend, beating foreigners and attacking refugee centers, and a federal agency said that far more neo-Nazi were roaming the nation than previously thought.

From the state of Hesse in western Germany to the state of Brandenburg in the east, extreme rightists besieged asylum shelters and injured at least six foreigners, the police said.

German radio said the police had reported about 50 racist attacks on refugee homes and foreigners in the street, twice as many as a week ago. About 25 arrests were reported.

In what appeared to be a symbolic attack on German democracy, neo-Nazis also sprayed swastikas and other symbols of the Hitler era on the gravestone of Konrad Adenauer, West Germany's first chancellor, in the Rhineland village of Rhodorf.

The far-rightist Republican Party, meanwhile, won its first seats on the Hannover City Council during local elections in the western state of Lower Saxony. The Republicans, who campaigned with anti-foreigner slogans like "The Boat Is Full," captured only 3.5 percent of the vote in Hannover, but this was enough to win one or two seats.

A week earlier, the radical-right German

People's Union won seats in Bremen's parliament on an anti-foreigner campaign. The Hannover election Sunday followed overnight violence in various parts of the country.

In one street attack, four skinheads beat up a woman and three men from Nigeria at a festival in Brühl, near Mannheim. One of the Nigerian men was hit on the head with a beer bottle and taken to a hospital. Two skinheads were arrested, the police said.

Most of those singled out during attacks have been asylum-seekers from the Third World, but the violence has also spread to West Europeans.

See GERMANY, Page 6

Paris and London Cool to Joining Arms Cut Plan But Gorbachev's Offer Wins Cheers in Western Europe

By Craig R. Whitney
New York Times Service

LONDON — Officials in Western Europe on Sunday welcomed President Mikhail S. Gorbachev's proposals for sweeping unilateral cuts in the Soviet nuclear arsenal, particularly his assurance that the weapons would remain under strict central control as the country continues to come apart.

But neither Britain nor France took up his suggestion that other countries besides the Soviet Union and the United States consider reductions in their nuclear deterrent forces.

In Washington on Saturday, President George Bush welcomed Mr. Gorbachev's reciprocation on elimination of nuclear weapons as "good news for the whole world," but said that details needed to be ironed out before a summit meeting.

"I think they're on the right track," Mr. Bush said after the Soviet leader called to inform him of the proposals. "I think the world will view it as very positive."

Mr. Bush said American officials in Moscow, led by Undersecretary of State Reginald Bartholomew, were discussing details with their Soviet counterparts.

Indicating that he thought Mr. Gorbachev's call for a summit meeting was premature, Mr. Bush said, "I think both of us agree that there's plenty of work to do right now between both sides."

Asked if the new proposals reassured him about Soviet control over their nuclear weapons stockpiles, Mr. Bush said: "My view is that they want to have fail-safe control as much as anybody does. The republicans want that, the center wants that."

Prime Minister John Major of Britain said the United Kingdom would go ahead with plans for new submarine-launched Trident missiles with more warheads than its existing Polaris force.

President François Mitterrand had made no public statement about the Soviet proposals by late Sunday afternoon, according to his office in Paris. He said after Mr. Bush's announcement of unilateral cuts last month that France felt no need to follow the American example, since its own small submarine-missile force was not comparable.

Chancellor Helmut Kohl of West Germany described Mr. Gorbachev's announcement as "a further step towards security and stability in Europe."

He singled out the announcement that all Moscow's strategic weapons would be placed under a single military command as a reassuring step for the future.

Mr. Major described the Soviet decisions as "a turning point in the peace process."

But, he and other officials in London insisted, Britain will go forward with plans to modernize its deterrent force with four new submarines, each carrying 16 U.S.-designed Trident nuclear missiles with seven or eight warheads apiece, starting in 1994.

"Trident is the essential minimum defense that we need in this country," Mr. Major said, emphasizing that the Soviet Union was still an "immense nuclear power."

The British deterrent now consists of four older submarines carrying 16 Polaris missiles apiece, and only three warheads on each missile. But one of the submarines

See ARMS, Page 6

Reverse Arms Race Starts to Heat Up

By R. Jeffrey Smith
Washington Post Service

WASHINGTON — The United States and the Soviet Union, which have competed for more than four decades to build ever-larger and more sophisticated arsenals of nuclear weapons, now seem to have started what amounts to an arms race in reverse.

By proposing to match and exceed the arms reduction proposals made by President George Bush, President Mikhail S. Gorbachev has put an entirely new twist on the Cold War pattern of one-upmanship that led to nearly continuous expansion and improvement of U.S. and Soviet nuclear forces.

The Soviet plan, as outlined by Mr. Gorbachev in a broadcast address, appears to embrace all of the unilateral arms cuts urged by Washington but goes further by ordering the immediate withdrawal of more warheads from a status of "strategic alert" — that is, ready for sudden war. In addition, Mr. Gorbachev would turn more strategic, or long-range, arms while proposing to place new constraints on airplane-carried tactical nuclear bombs.

The competitive nature of the plan was exemplified by Mr. Gorbachev's description of the moves as "counter-steps caused" by Mr. Bush's initiative, and by his statement that the Soviets would "for our part" cut troops by 700,000 while the United States is cutting its troops by half a million.

The pledged Soviet withdrawal or elimination of tactical nuclear weapons, in concert with a similar move already pledged by Mr. Bush,

will rid much of the world of arms that have come to be seen as posing an intolerable risk of nuclear terrorism or accidents.

The Soviet plan also seeks to raise new several long-standing issues on Moscow's arms-control agenda for which Washington has previously had little enthusiasm. Among them are a mutual declaration that nuclear arms will be used only for retaliation, a negotiated halt to nearly 50 years of nuclear testing and radical arms cuts to roughly halve the level allowed under the new Strategic Arms Reduction Treaty.

Further to make these initiatives more palatable to Washington, Mr. Gorbachev has thrown what undoubtedly will be seen as a very large and meaty bone: For the first time since the 1983 proposal of President Ronald Reagan's space-based missile defenses, or Strategic

See RACE, Page 6

U.S. Is Rethinking on Aristide

By Clifford Krauss
New York Times Service

WASHINGTON — Because of concerns over his human-rights record, Bush administration officials have begun to modify their unequivocal support for the Reverend Jean-Bertrand Aristide, who was forced from the Haitian presidency in a coup a week ago.

In a shift of policy that first became clear on Sunday, officials said

the administration had concluded that Father Aristide must be persuaded to disavow supporters who have perpetrated human-rights violations if there is to be any hope of returning him to office.

With that shift, the officials, who said his reinstatement was necessary for the hemisphere's democracies to resist a comeback of military rule, are now hinting that Father

Aristide is at least partly responsible for his fall from office.

The reasons for the sudden re-evaluating of a view that had entirely blamed the military was not immediately clear. But the new criticism of Father Aristide would put the administration in a more favorable position to negotiate a settlement with the Haitian Army.

Underlining the change in attitude

See HAITI, Page 6

The Ties That Bind Japan Inc.

By Paul Blustein
Washington Post Service

TOKYO — Now that Soviet communism has crumbled and American-style capitalism looms triumphant, let us turn to Page 654 of "The Japan Company Handbook."

On that page can be found a glimpse into a system that is proving a more formidable challenger to the U.S. economic model than communism ever did.

Listed there are the major shareholders of NEC Corp., one of Japan's premier high-tech companies and the world's largest maker of computer chips. What is striking is how similar most of their names are.

Among the shareholders are Sumitomo Life Insurance Co., Sumitomo Trust & Banking Co., Sumitomo Bank Ltd., Sumitomo Marine & Fire Insurance Co. and Sumitomo Electric Industries Ltd.

The family resemblance is no coincidence. NEC and the Sumitomo companies belong to a *keiretsu*, the word, meaning corporate group, defines the unique organization of Japan's economy.

The *keiretsu* system links powerful companies, banks and insurance firms into even more powerful groups that can dominate markets in good times, drive out competition in bad times, and provide protection

See JAPAN, Page 9

The 1991 Playoffs



There was no need to ask who won the National League West after a look at the Dodger dugout: from left, Brett Butler, Darryl Strawberry and Lenny Harris. The Atlanta Braves, who finished last in 1990, clinched the division Saturday. The season ended Sunday. Page 21.



Brad Manges/The Associated Press

CARE Chief Assails Nations' Meaner View of Aid

Malcolm Fraser, the former prime minister of Australia who is now president of the international relief organization CARE, was in Europe last week to visit the group's new international secretariat in Brussels and discuss aid issues with the French government. Earlier, he visited CARE operations in Iraq. He discussed his trip with Barry James of the International Herald Tribune.

Q. Do you think people have what is known as compassion fatigue?
A. When there is a major emergency, people are very generous, certainly while the emergency is on their television screens. It is the governments that have really tended to get fed up with aid. And the oppositions don't create a debate about it, so there is nothing in the public arena. Australia's aid vote, for example, has unfortunately been falling the last seven or eight years as it has in the United States. It seems to be the English-speaking countries where this has been the major phenomenon.

Q. In what way?
A. Their aid vote as a percentage of GDP has been falling. Even though families and countries have become wealthier, this wealth has been accompanied by a great growth of debt, leading to a much narrower and, if you like, a meaner view of a nation's

international priorities. Why should it be that in the '50s and '60s, when we were certainly not as well off as we are today, we were much more generous?

Q. Isn't it because people think they've got too many problems at home? Look at

MONDAY Q&A

all the homeless in the United States, for example.

A. That problem was always there. The reasons for the change, it seems to me, are manyfold. People have the attitude that if others do the same as they do, they too can be wealthy. It is all allied with the market philosophy in my view.

Q. Do you oppose that philosophy?
A. I am a great believer in markets, but I would put a couple of critical words first—fair, competitive. And even then there are some things the market cannot solve.

Q. Why do you think politicians don't put aid higher on the agenda?
A. What is happening in the Soviet Union and in Eastern Europe has certainly diverted attention, and people realize there are going to be large demands for capital in those regions. I also think that a lot of Western countries are tired of the mistakes that have been made in Africa and this is sad, really, because at the very time when many African governments are really try-

ing very hard in very difficult circumstances to put their own houses in order, many of the donor countries in the West have almost given up on Africa.

Q. Australian CARE is coordinating international relief work in Iraq. But many see Saddam Hussein dancing around, defying the United Nations, and say the heck with Iraq. What do you tell them?
A. I suppose this is one of the traditional debates about aid. Do you say not only to hell with Iraq but to hell with people who are really suffering and carrying the full brunt of it? Aid organizations have generally taken the view that if there are people in that kind of need, they should do what they can to help, no matter what might be thought of the government.

Q. You have just come from an inspection trip to Iraq. How do you assess the situation there?
A. Obviously there is a great deal of difficulty. It is hard to get industry moving. A lot of essential supplies are blocked by the sanctions program. Poor sections of the community are finding it difficult because the officially distributed food supplies cover only about 50 percent of needs. While there are no obvious signs of malnutrition amongst adults, I did see a number of wards in one particular hospital where infants generally under the age of 12 are suffering most severe malnutrition and these, of course, are the most sensitive and

endangered group. We have developed and are funding a program designed to ameliorate some of those problems, to prevent major malnutrition developing amongst young children. It is much better to foresee the problem and act to forestall it than suddenly end up finding that hospitals are overcrowded with people who need intensive care.

Q. What have you been doing in Europe?
A. I wanted to have a look at our new secretariat in Brussels and to establish links at a high level with members of the European Commission. My talks there went very well. CARE France asked me to come and meet people in their government who are dealing with nongovernmental organizations and development aid in many parts of the world.

Q. How does CARE differ from competing relief organizations?
A. It is a loose international federation. We can draw on each other's resources, and we can supplement our efforts because we are operating in over 40 countries. We have a small administrative support in all of those countries so that if CARE wants to start a program in Chad or Vietnam or wherever, there is a structure there that will enable that program to be introduced economically and effectively.

Ex-Minister Jumps Out Front in Japan

By T.R. Reid
Washington Post Service

TOKYO — With the campaign to find a new prime minister a mere two days old, a clear leader has emerged in the person of Kiichi Miyazawa, a former finance minister who has made a high priority of improving relations with the United States.

Politicians and observers agreed Sunday that Mr. Miyazawa, a fluent English-speaker who will turn 72 on Tuesday, was in the best position to win votes from the uncommitted factions of the ruling Liberal Democratic Party in the election three weeks away.

On Oct. 27, an internal party vote will choose the new party president. Since the party controls the national Diet, or parliament, its president automatically will become prime minister.

Three candidates have declared as candidates for the position being vacated by Toshiki Kaifu, the 60-

year-old incumbent who gave up his hopes for a second term this weekend after the party's power brokers decided to withdraw support.

Mr. Kaifu's decision has set off a round of closed-door political meetings as Mr. Miyazawa and his two principal rivals, Michio Watanabe, 68, and Hiroshi Mitsuoka, 64, worked to win the support of Diet members from the dominant party.

Mr. Miyazawa appeared to get important backing Sunday from a senior member of the biggest of the party's five factions, which so far has no candidate of its own in the race.

Shin Kanemaru, the aged leader of the big faction, said he thought the party should elect the candidate who has the most talent in international diplomacy. In the current three-man field, this was taken to be an allusion to Mr. Miyazawa, a well-traveled former bureaucrat

who speaks often of friendships with figures like Henry A. Kissinger and Margaret Thatcher.

Mr. Miyazawa has emphasized the importance of resolving trade and policy disputes with the United States, Japan's biggest market and strongest ally. Among other things, he has indicated that he is willing to consider opening the Japanese rice market to American imports, an idea that has been unpopular in Japan.

Mr. Miyazawa seemed to be doing well this weekend in the other jockeying to round up uncommitted votes; he was already being labeled the leader by news organization here.

On a Sunday talk show on the TBS television network, a respected political scientist, Masayuki Fukuda of Komazawa University, said Mr. Miyazawa had a 99 percent chance of winning the election.

Mr. Watanabe, a blunt faction

leader with a scathing wit, appears to be Mr. Miyazawa's leading challenger.

In a speech to his faction, Mr. Watanabe took a thinly veiled shot at Mr. Miyazawa, saying: "The key point is not whether or not you can speak a foreign language. It is whether you can do something and make the system move."

Mr. Mitsuoka, the third candidate, is also the leader of a large faction, and was therefore all but required to enter the race for prime minister. But he has less government experience than the other two, and may simply be biding his time in this year's campaign.

Although the candidates are talking in broad terms about policy issues in their public speeches, analysts say the essence of the campaign comes in private bargaining. Since the prime minister chooses the cabinet, one common bargaining chip is the promise of cabinet positions in return for support.

Akihito Winds Up A Sensitive Tour Of Southeast Asia

Compiled by Our Staff From Dispatches

JAKARTA — Emperor Akihito ended a sensitive Southeast Asian tour Sunday — the first by a Japanese monarch — pleased that it had gone without incident, his aides said.

No officials asked Akihito outright to apologize for his nation's wartime aggression. Nor was anyone visibly rude to the son of Japan's last emperor-god, whose imperial army overran China, Korea and much of Southeast Asia until its defeat in World War II.

The emperor and Empress Michiko left for Japan on Sunday after an 11-day tour of Thailand, Malaysia and Indonesia. It was his first official trip abroad since succeeding to the throne and only the third overseas tour by any Japanese monarch.

(Reuters, AP)

Iraq Still Pursuing A-Arms, UN Says

Compiled by Our Staff From Dispatches

BAHDAH — A senior United Nations envoy left Baghdad on Sunday after declaring that, despite its denials, Iraq had secretly tried to develop nuclear weapons and might still be working on them.

The envoy, Rolf Ekeus, head of the UN special commission on Iraqi weapons of mass destruction, said, "Our assessment is that it is a full-fledged program that was carried out and that components of the program are still going on."

He added, "As a result of our inspections in the nuclear area we are convinced that Iraq has had and also, we believe, may continue to have a nuclear weapons development program."

Shortly after his departure, 50 chemical-weapons experts arrived in Baghdad, the biggest UN inspection team to come to Iraq since the Gulf war cease-fire.

Mr. Ekeus held two days of talks with Iraqi leaders to try to get them to cooperate with visiting UN teams after a four-day showdown in a Baghdad parking lot last month over Iraq's nuclear secrets.

Mr. Ekeus conferred with Deputy Prime Minister Tariq Aziz, who was quoted by the Iraqi News Agency as insisting that the U.S. role in the inspection teams and accusing President George Bush of "arrogantly exceeding" the terms of Gulf war cease-fire resolutions.

The cease-fire terms require that Iraq's nuclear, chemical, biological and ballistic weapons be scrapped.

Mr. Ekeus said that seized documents that led to the showdown were proof that Iraq was developing nuclear weapons.

Asked how the Iraqis might benefit from complying with UN attempts to remove the country from the world league of arms powers, Mr. Ekeus said they might gain through an easing of sanctions.

"I guess it would help to get the end of the embargo," he said. The sanctions, which were imposed shortly after Iraq's invasion of Kuwait on Aug. 2 last year, have virtually halted all trade including essential crude oil exports.

(Reuters, AP)

WORLD BRIEFS

Soviet Jewish Emigration Is Slowing

JERUSALEM (AP) — About 9,800 Soviet Jews immigrated to Israel in September, bringing the total for the year to around 116,000, or much lower than originally predicted by the government, immigration officials said Sunday.

The main culprit is high unemployment in Israel, especially among immigrants, according to Gad Ben-Ari, spokesman of the Jewish Agency, a quasi-governmental body that settles immigrants.

Last year, 185,000 Soviet Jews came to Israel. The chairman of the Jewish Agency, Simcha Diniz, predicted at the time that 400,000 might come in 1991. But the pace slowed dramatically during the Gulf war when Iraqi missiles fell on Israel, and immigration officials later revised their estimate for 1991 down to 200,000.

Afghan Official Sees Peace Progress

KABUL (Reuters) — Prime Minister Fazl Haq Khaliquyar of Afghanistan said Sunday that he expected the two warring sides in the 13-year-old Afghan conflict to meet for the first time soon to try to break the political logjam preventing peace. "This is a great step forward," he said after returning from talks at the United Nations in New York and in Moscow.

The meeting, likely to be led by the United Nations secretary-general, Javier Pérez de Cuellar, would bring together representatives of the Kabul government, moderate nationalist guerrilla groups and the former king, Zahir Shah, 76, for the first time. Persuading the four more radical Islamic guerrilla groups to go along with talks will be much harder, Mr. Khaliquyar said, but he added that he hoped they could be encouraged to join the process "if not today, tomorrow."

The meeting will probably be held in Geneva at the end of October or early November, he said. He said President Najibullah would not attend. Guerrilla groups have refused to meet openly with Mr. Najibullah or leading figures in his ruling Watan Party, although there have long been secret contacts between the two sides, guerrilla sources said.

Gunman Kills Popular Soviet Singer

MOSCOW (Reuters) — A Soviet pop singer, Igor Talkov, was shot and killed Sunday while giving a concert in St. Petersburg, Tass reported.

The press agency said that Mr. Talkov, 35, was shot in the heart at point-blank range by an unidentified person in St. Petersburg's Palace of Sport. "In the ensuing panic the assassin managed to escape," Tass said. It gave no further details.

Mr. Talkov's songs about social problems and the Russian heritage were set to modern pop rhythms and gained him a large following, especially among teenagers. He played the lead in a new historical film, "The Silver Prince," which has not yet been released.

Toll at 132 in Indonesia Air Crash

JAKARTA (AP) — A soldier survived the fiery crash of an Indonesian Air Force C-130 transport plane that killed 132 other people, the air force said Sunday. Military personnel were searching the crash site for ammunition that might have been scattered when the plane crashed.

The aircraft on the plane being flown from Jakarta to Bandung, 150 kilometers (90 miles) to the southeast, after Armed Forces Day ceremonies in the capital. The plane hit a Labor Department training center shortly after takeoff Saturday.

10 Die in India Kashmir Crackdown

SRINAGAR, India (AP) — Ten people were shot and killed Sunday in the second day of house-to-house searches by Indian Army troops trying to contain the Muslim separatist insurrection in Kashmir, the police and witnesses said.

The witnesses accused the troops of opening fire on unarmed civilians who had been ordered out of their houses for the search. Ten people died, the witnesses said. The police confirmed that the bodies of seven civilians with gunshot wounds had been removed from the area. The officers said they had no information about the circumstances of the shooting. Three more people died of bullet wounds later in a hospital, doctors said.

For the Record

Eugene J. McCarthy has declared his candidacy for the presidency of the United States, the fifth time that the 75-year-old former U.S. senator from Minnesota has sought the Democratic Party nomination. (AP)

Baudouin, king of the Belgians, on Sunday refused to accept the resignation of Prime Minister Wilfried Martens's center-left coalition government, the royal palace said. (Reuters)

Three Kurdish rebels were killed on Sunday in a clash with security forces near Erbil township in Sirt Province in southeastern Turkey, the semi-official Anatolian News Agency said. (AP)

TRAVEL UPDATE

Pakistan International Airlines will increase domestic passenger and cargo fares by 20 percent, the official Associated Press of Pakistan reported Sunday. A cabinet report said that the carrier's domestic fares were among the lowest in the world. (AFP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Lesotho, Soviet Union.

TUESDAY: Peru.

WEDNESDAY: Uganda.

THURSDAY: Cuba, Japan, Korea, South Africa, Taiwan.

SATURDAY: Argentina, Brazil, Chile, Costa Rica, Ecuador, El Salvador, Equatorial Guinea, Honduras, Nicaragua, Paraguay, Puerto Rico, Spain, Uruguay, Venezuela.

Source: J.P. Morgan, Reuters.

The Weather

Forecast for Tuesday through Thursday

North America: Dry weather will predominate through Thursday, but a heavy shower from the Great Lakes to New England. The East Coast will begin to see rain. Warming from the Midwest will head east Wednesday and Thursday. California will have rain with north winds.

Europe: Low cloudiness will limit sunshine through Thursday, day from England to Germany and northern France. A rainy period is possible. Where sunshine does appear, it will be mild. Most of the time will be dry in Italy, but Spain will have some rain.

Asia: In Tokyo, rain will be heavy at times Tuesday, and Typhoon Pat could bring additional downpours Wednesday. Erratic Typhoon Rachel may play a part in Taiwan's weather beginning Tuesday. Dry weather will be the rule from Hong Kong to Seoul and Beijing.

South America: Buenos Aires 14/27 10/20 12/23 10/20 p.c. Caracas 22/28 24/27 21/28 24/27 p.c. Lima 20/28 24/27 21/28 24/27 p.c. Rio de Janeiro 22/28 24/27 21/28 24/27 p.c. Santiago 14/27 10/20 12/23 10/20 p.c.

Africa: Algiers 28/78 16/51 28/82 12/35 p.c. Cape Town 19/68 8/43 21/78 24/75 p.c. Gaborone 20/84 18/54 20/84 17/62 p.c. Harare 30/86 18/51 30/86 18/51 p.c. Johannesburg 22/78 11/32 22/78 11/32 p.c. Nairobi 28/78 12/53 28/78 12/53 p.c. Tunis 28/82 13/51 27/80 12/35 p.c.

Latin America: Buenos Aires 14/27 10/20 12/23 10/20 p.c. Caracas 22/28 24/27 21/28 24/27 p.c. Lima 20/28 24/27 21/28 24/27 p.c. Rio de Janeiro 22/28 24/27 21/28 24/27 p.c. Santiago 14/27 10/20 12/23 10/20 p.c.

North America: Anchorage 9/43 2/26 10/50 4/28 p.c. Atlanta 19/68 8/43 21/78 24/75 p.c. Boston 17/62 8/43 21/78 24/75 p.c. Chicago 28/82 7/44 28/82 7/44 p.c. Denver 28/82 7/44 28/82 7/44 p.c. Detroit 28/82 7/44 28/82 7/44 p.c. Honolulu 28/82 7/44 28/82 7/44 p.c. Houston 28/82 7/44 28/82 7/44 p.c. Los Angeles 28/82 7/44 28/82 7/44 p.c. Miami 28/82 7/44 28/82 7/44 p.c. Minneapolis 28/82 7/44 28/82 7/44 p.c. New York 28/82 7/44 28/82 7/44 p.c. Philadelphia 28/82 7/44 28/82 7/44 p.c. San Francisco 28/82 7/44 28/82 7/44 p.c. Seattle 28/82 7/44 28/82 7/44 p.c. St. Louis 28/82 7/44 28/82 7/44 p.c. Toronto 28/82 7/44 28/82 7/44 p.c. Washington 28/82 7/44 28/82 7/44 p.c.

Legend: s=sunny, p=partly cloudy, c=cloudy, sh=showers, t=thunderstorms, F=fb, s=severe, B=blizzard, H=heavy, L=light.



BAN-THE-ROAD PROTEST IN JERUSALEM — Ultra-Orthodox Jews confronting police during a protest of a new unilateral road alongside two Hasidic neighborhoods. Orthodox Jews are forbidden to drive on the Sabbath, and they regard the thoroughfare as violating the sanctity of its observance. Chanting police officers on horseback charged into surging crowds of several thousand Hasidim, and some of the protesters retaliated by throwing stones.

U.S. to Block Imports Of Some Chinese Goods

By Jim Mann
Los Angeles Times Service

WASHINGTON — In a groundbreaking case, the U.S. Customs Service has moved to hold up shipments of certain kinds of Chinese goods that are suspected of being produced by convict labor or forced labor.

It represents the first action taken by the Bush administration in response to allegations that China exports goods made by prisoners in labor camps and other penal institutions.

The customs order covers specific types of wrenches and steel pipe made by three Shanghai companies. If any of these goods are found to be the products of prison labor, they would be destroyed or shipped back to China.

A federal law prohibits the import into the United States of any goods made by convict labor.

In a press release, the U.S. Customs commissioner, Carol B. Hall, said the order against the Chinese goods would "bring the full force of 5,500 inspectors, 1,200 import specialists and many of our 2,800 agents to bear on this problem."

Administration officials apparently hope that the new customs action — as well as the possible imposition soon of other, broader trade sanctions against the Chinese government — may help persuade Congress to hold off on efforts to restrict China's most-favored-nation trade status, which allows it to export goods to the United States at the lowest possible tariff rates.

Over the opposition of President George Bush, both houses of Congress have passed legislation that would make the renewal of China's most-favored-nation benefits next year conditional on improvements in its policies on human rights, trade and the spread of weapons. Members of the Senate and the House are now trying to iron out differences between the two versions of the legislation and to decide whether to press for enactment before the end of this year.

Anderson's Tape Says Kidnappers Vow 'Good News'

The Associated Press

DAMASCUS — The American hostage Terry Anderson, appearing healthier than in the past, said in a videotape obtained by CNN on Sunday that his captors told him "very good news" for Western hostages in Lebanon.

In the 12-minute tape, Mr. Anderson said he and two other hostages with whom he was being held — Thomas Sutherland, also an American, and Terry Waite, a Briton — were "highly encouraged by news events." It was accompanied by a statement in Arabic, signed by Islamic Jihad, that said the videotape was a continuation of the process that began with the release of the British hostage John McCarthy in August.

CNN said it had obtained the tape, made earlier Sunday in Beirut, from a Lebanese production company, Ed Turner, the executive vice president of CNN in Atlanta, said the network did not pay for the tape. CNN said it had not conducted the interview of Mr. Anderson, but that it had been allowed to submit questions.

In the tape, Mr. Anderson, 43, said he was grateful to the UN secretary-general, Javier Pérez de Cuellar, for efforts to free hostages.

Martin Ennals Dies, Headed Rights Group

The Associated Press

SASKATOON, Canada — Martin Ennals, 64, the former secretary-general of Amnesty International who helped build it into a leading human-rights group, died Saturday after a yearlong battle with lung cancer.

Mr. Ennals led the development of the group, which is based in London, as a major international monitor of human rights during his tenure as secretary-general from 1968 to 1980.

In 1977, he accepted the Nobel Peace Prize on Amnesty's behalf. "If he needs a memorial," said his brother, Lord David Ennals, a former senior Labor Party minister in Britain, "it will be Amnesty International. He built it up from a very modest organization to one of enormous stature which now commands great respect."

Mr. Ennals worked for eight years with UNESCO before serving as general secretary of the National Council for Civil Liberties from 1960 to 1966.

Leonard C. Odell, 83, of Burma Shave Fame
EDINA, Minnesota (AP) — Leonard C. Odell, 83, who with his brother created the early roadside signs for his father's Burma Shave

shaving cream, died Friday of cancer here.

Mr. Odell went on to become president of Burma-Shave Co. His father, Clinton, commissioned a chemist to develop a brushless shaving cream and named the product Burma Shave.

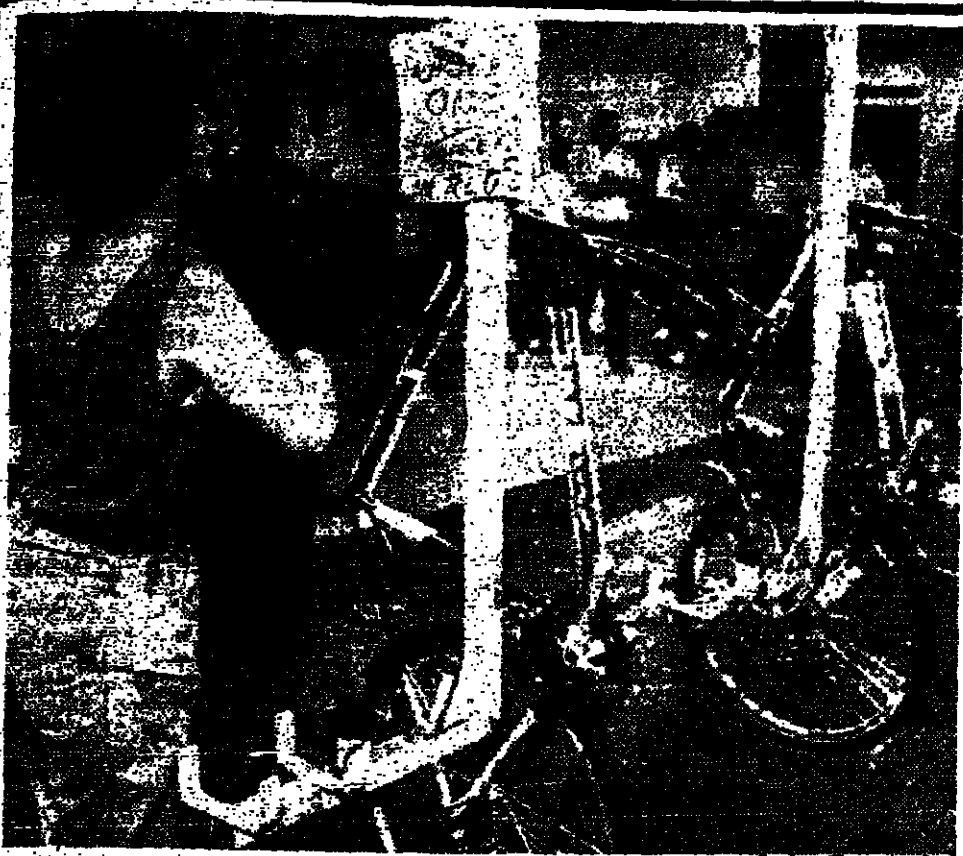
Sales were slow, however, until the elder Odell's sons, Leonard and Allan, joined the company. They posted the first sets of signs on rural Minnesota highways in 1925. The standard Burma Shave couplet was written on five sequential signs. A sixth sign always said "Burma Shave." An example: "Within this vale of toil and sin, Your head grows bald, But not your chin — use Burma Shave."

The signs were popular fixtures along U.S. highways from the late 1930s until 1964.

Other deaths:

Joseph Kaplan, 89, a chemist and physicist who served as a presidential aerospace adviser and co-founded the University of California's Institute of Geophysics, later called the Institute of Geophysics and Planetary Physics, Thursday of a heart attack.

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END OF THE LINE — An inspector checking the last bike made at Schwinn's factory in Greenville, Mississippi. Schwinn said it closed the plant because labor costs were lower abroad.

AMERICAN TOPICS

Jim Crow Hangs On In New Orleans Bars

Although racial segregation in bars and restaurants has been banned since the late 1960s by federal, state and local public accommodations laws, civil rights activists say Jim Crow still exists in blue-collar sections of New Orleans, largely unmonitored and unchallenged, the Los Angeles Times reports.

At Pete's Bar near the Mississippi wharves, and in nearly a dozen other mostly family-run lounges in neighborhoods that today have more blacks than whites, the races eat and drink in separate quarters.

"This is still the Old South down here," said Tom Pirelli, an elderly white customer at George's Bar, which serves blacks through a side window. "It's the custom. It ain't right, and it's illegal as hell, but that's just how it is."

Ralph Cassimere, a professor of black history at the University of New Orleans, said, "If someone were to file a suit or kick up a fuss, these kinds of bars would clearly be on the defensive and in all kinds of legal trouble."

"But the problem is that the kind of people who would willingly subject themselves to this kind of treatment from these places are not the same kind of people generally who will stand up for their rights and demand that they be let in and treated

fairly. And, if you can't get someone to complain, it's hard to start any action against these kinds of bars."

Henry Thieriot, owner of Pete's Bar, says: "The colored come to my back window on their own, but only because it's convenient. They're the ones who do it. Hell, I even have a back room where they can come in and sit down."

Short Takes

A high school mathematics teacher, Richard J. Klutch of New York City, is disturbed by the trend of introducing pocket calculators into elementary schools. Children should first learn how to do the calculations themselves, he contends. "The point of a math problem is not to get the right answer," he writes. "The point of being assigned the problem in school is to learn how to do it." He adds, "Those who defend the calculator invasion say it will help to make school more like the real world." But he said, "School is not supposed to be like the real world: It's supposed to be like school."

By the mid-1990s, machines will be able to sort letters down to a street address, Postmaster General Anthony M. Frank predicts. This should enable letter carriers, who now spend four hours sorting mail and four hours delivering it, to cut the sorting to two hours and increase their delivery time to six hours. This will permit a reduction of 47,000 of the service's 800,000 jobs.

Two women face up to a year in jail after a jury convicted them

on charges stemming from their attempt to bring popcorn bought at one Rexburg, Idaho, movie theater into another. Authorities said that Joan Bowman, 46, and Susan Anderson, 42, showed up at the Holiday Theater with a bag of popcorn purchased at another theater and refused to leave it outside. When police arrived, the women used vulgar language and bit, hit and kicked them.

About People

Sonny Bono, entertainer-turned-politician, is running for the Republican nomination for the U.S. Senate seat from which Alan Cranston, Democrat of California, is retiring. Mr. Bono, 56, who broke up with the actress Cher, in 1974, has been mayor of Palm Springs, California, since 1988. Can he make it to the Senate? Mr. Bono pointed out that he has already written hit tunes, starred in a top-rated television program and won an election for mayor. The other two Republican candidates are Tom Campbell, a second-term member of Congress, and Bruce Herschenovitz, a radio-television commentator.

When Kevin Duckworth, the 7-foot, 270-pound center of the Portland Trail Blazers professional basketball team, visited his old elementary school, the children presented him with a lifetime pass to the school cafeteria, good for all the lunches he could eat. The reaction of the 2.13-meter, 122-kilogram athlete: "What time is lunch?"

Arthur Higbee

For High Court, Open Season

The Liberals Gone, Docket Is Ripe for Landmark Rulings

By Ruth Marcus

WASHINGTON — The Supreme Court opens its 1991 term Monday without a traditional liberal on the bench for the first time in the court's modern era, and it has the opportunity to transform the constitutional landscape on some of the divisive social issues that have occupied it for the past half-century.

If the term that ended in June with the retirement of Justice Thurgood Marshall was something of a sleeper in terms of the quantity and importance of the cases decided, the coming session should be a jolt of constitutional caffeine.

The docket, with 70 cases already accepted for review, has the potential for landmark rulings on school desegregation, separation of church and state, freedom of speech, abortion protests and the liability of cigarette makers, among other issues.

The cases this term should provide at least strong hints of where the court's newest members — David H. Souter, and, if confirmed, Clarence Thomas — will fall in the current ideological lineup.

And the term should provide an indication of whether change on the court in coming years will be evolutionary or revolutionary.

The question is whether there is a majority prepared to vote for wholesale change in the court's jurisprudence, jettisoning the "en-gendered precedents" that Justice Marshall enumerated in his final dissent in June, or whether any shifts will be more gradual.

The possible blockbuster character of the term is symbolized by the first case up for argument Monday, Freeman v. Pius, a Georgia school desegregation issue that the court could use to make it easier for school boards to be freed from desegregation orders.

With the retirement of Justice Marshall, the court starts its term short by one member for the second consecutive year. In the event of a 4-to-4 split, cases heard this week will have to be reargued. The Senate is not scheduled to vote until Tuesday on Judge Thomas's nomination.

The addition of the second justice in as many years — Justice Souter took the place of William J. Brennan Jr. — represents the most rapid period of change the court has experienced in two decades. From 1969 to 1971, four justices joined the court: Warren E. Burger, now retired; Harry A. Blackmun; Lewis F. Powell Jr., also retired; and William H. Rehnquist.

With Judge Thomas's confirmation likely, Ronald Reagan and George Bush will have appointed a majority of justices. The most liberal members of the court now are two moderate Republican appointees, Justices Blackmun and John Paul Stevens.

Although the court is dominated by conservatives, there are pronounced differences in approach among the conservative justices, particularly on such contested areas of the law as race discrimination and religious freedom.

Justices Sandra Day O'Connor and Byron R. White occupy what

has become the court's middle ground, while Chief Justice Rehnquist and Justice Antonin Scalia have been pressing for more rapid and far-reaching change.

"Despite the obvious march to the right, this remains a court that is very closely and in some ways very bitterly divided," said Steven R. Shapiro, associate legal director of the American Civil Liberties Union.

The "wild cards" of Justice Souter and, eventually, Justice Thomas, he said, would largely determine the direction of the court.

Although in recent years the court has been cutting back on individual rights, Mr. Shapiro added, this term should provide guidance about "how deep those chips are and how fast they're likely to come flying out of the foundation of constitutional law."

Perhaps the most closely watched case will be a challenge to the recitation of nonsectarian benedictions and invocations at Rhode Island junior high and high school graduation ceremonies.

The school board in the case, Lee v. Weisman, is asking the court to use the opportunity to throw out the three-part test it has used since 1971 to judge church-state separation cases. Backed by the Bush administration, it urges the court to adopt a more relaxed standard that would permit far more government involvement with religion.

In the next two weeks, the court will take up whether the federal cigarette labeling law shields tobacco companies from lawsuits by injured smokers (Cipollone v. Liggett Group); the constitutionality of New York state's "Son of Sam" law, giving victims the right to recover the profits criminals make from books about their misdeeds (Simon & Schuster v. New York State Crime Victims Compensation Board); and whether federal law can be used to stop blockades of abortion clinics (Bray v. Alexandria Women's Health Clinic).

Next month, the court will hear a case from Mississippi, Ayers v. Mabus, that calls on the court to decide, for the first time, what steps a formerly segregated system of colleges and universities must take to desegregate.

Thomas Said to Deny Sex-Harassment Claim

The Associated Press

WASHINGTON — Clarence Thomas, the Supreme Court nominee, "very forcefully denied" allegations by Anita Hill, a law professor, that he sexually harassed her when she worked for him a decade ago, a Republican senator said Sunday. And the White House dismissed the accusations as "unfounded."

But Democratic senators said the accusations were very serious and said a delay in Tuesday's scheduled confirmation vote might be necessary. Judge Thomas himself made no comment.

The University of Oklahoma law professor told the Judiciary Committee last month that Judge Thomas had detailed scenes from pornographic movies to her when she worked in the early 1980s as his legal assistant at the Department of Education and the Equal Employment Opportunity Commission, a source said. But she said he never touched her, the source added.

"I felt as though I did not have a choice, that the pressure was such that I was going to have to submit to that pressure in order to continue getting good assignments," Ms. Hill said in an interview with National Public Radio.

The committee did not disclose the allegations publicly before sending Judge Thomas's nomination to the full Senate late last month without recommendation.

Republicans rallied around Judge Thomas on Sunday. Senator John C. Danforth, Republican of Missouri, said the accusations are "more typical of a political campaign than of a Supreme Court nomination." A Judiciary Committee member, Arlen Specter, Republican of Pennsylvania, said he had confronted Judge Thomas about the accusations before voting for the judge in committee. Senator Specter said Judge Thomas "very forcefully denied" Ms. Hill's allegations.

L.A. Koreans and Blacks: Violence at Bottom Rung

By Seth Mydans

LOS ANGELES — The grainy videotape shows an angry tussle over a \$1.79 bottle of orange juice at the counter of a Korean grocery. It shows the customer, a 15-year-old black girl, turning as if to walk away, then it shows a woman raising a pistol and firing a single, fatal shot into the back of the girl's head.

The videotaped shooting, which has been shown repeatedly on television here, has become the focus of rising tensions between Koreans and blacks in a city where increasing ethnic diversity is bringing with it increasing frictions.

On Monday, a jury is scheduled to begin deliberations in the trial of Soon Ja Du, 49, the Korean woman who faces a charge of second-degree murder in the death of Lataha Harlins, whom she had accused of trying to steal the bottle of juice.

"This incident embodies all of the problem areas," said Larry Aubrey, a member of the Los Angeles County Human Relations Commission. "It has come to symbolize what is wrong in the situation."

"You look at all the economic indices like income and housing," he said, "and blacks

remain at the bottom. Then the Koreans come in and try to make their mark. It's kind of a worst-case scenario."

In crumbling South Central Los Angeles, with its vacant lots and closed storefronts, the only economically successful enterprises in some places seem to be Korean groceries, service stations and liquor stores.

It is a situation that has frequently led to violence. In the last six months, two Korean shop owners have been shot and killed in holdups and another has been gravely wounded. In the same period, Koreans have killed three black people, but charges were filed only in the Harlins case.

At her trial last week, Mrs. Du tearfully denied intending to shoot the girl after they argued over the bottle of orange juice that was protruding from the girl's backpack. Two witnesses, a 9-year-old boy and a 13-year-old girl who were in the store to do shopping for their mother, testified that Mrs. Du and Miss Harlins engaged in a slapping, shouting, stool-throwing argument.

Outside the courtroom, some blacks said the killing pointed to the poverty and racial discrimination with which black people live as a wave of energetic immigrants jostles them aside.

They said the Koreans, who now own about 3,000 small businesses in Southern California, are preying economically on their community.

"There is consistent and persistent rude treatment," said John W. Mack, president of the Los Angeles chapter of the Urban League.

The killings have provoked black boycotts of Korean stores. "They're not willing to listen to the Korean community's opinions," Chun Huh, secretary-general of the Korean Chamber of Commerce of Los Angeles, said of the boycotts.

In the last 20 years, the Korean population of Los Angeles has increased from 9,000 to 250,000 as part of an influx that now has Asians making up 9 percent of the city's population of 3.5 million.

In the last decade the black population has declined from 17 percent to 13 percent. Black neighborhoods like Watts have been flooded with members of other minorities, while blacks have remained at the bottom of the economic ladder.

In South Central Los Angeles, some Korean markets have become targets of vandalism and firebombings, as well as a series of

boycotts organized by Danny Bakewell, the leader of the Brotherhood Crusade, a black group that succeeded Friday in closing a Korean market.

Mr. Bakewell has targeted the Empire Liquor Market, where Miss Harlins was killed; the 7 Days Food Store, where a Korean grocer waved a pistol in a dispute with two men who were delivering eggs; and the J.R. Liquor Market, which was closed in Friday's agreement.

In the final days of the 110-day boycott of that market, a half-dozen picketers were protesting the death of Arthur Lee Mitchell, a former amateur boxer who was shot by the shop's owner in an attempted holdup on June 4.

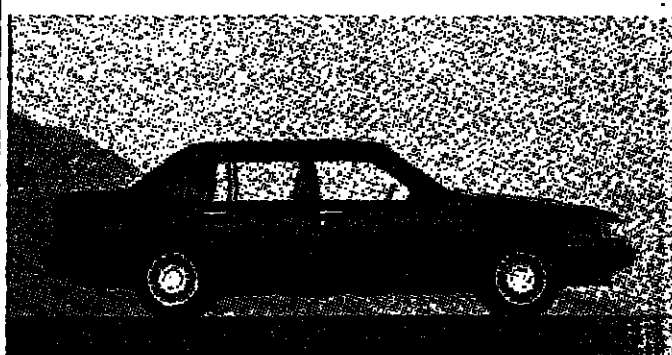
"Honk! Honk! Honk!" read one sign outside the market, and in response a constant stream of passing cars and trucks honked their horns.

Inside the quiet, empty store, its owner, Sam Park, 47, patted his heart and said: "I'm scared — all the time."

Every day, he said, he and his wife walk past picketers who shout, "Go back to Korea!" and "Murderer!"

Mr. Park said that he and his wife open their store, then settle down to a day of reading newspapers and the Bible.

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Herald Tribune

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Herald Tribune

Published With The New York Times and The Washington Post

One Soviet Center, or 12?

Some Bush administration officials argue that America should press for a new Soviet confederation or commonwealth, and use as leverage economic aid that the Soviets badly need. Other strategists would instead use the same leverage to promote Soviet disunion. Neither approach serves America's best interests.

A new look at those interests seems warranted given the tenuous economic accord reached by the 12 Soviet republics, an accord which the American ambassador, Robert Strauss, calls vital for getting substantial Western aid.

Holding together a Soviet union or even a single Soviet market is desirable, because it might facilitate conversion from communism to markets. But economically desirable is not the same as politically necessary. The healthiest long-term outcome is likely if the Soviets work out their own political arrangements. How closely the republics are tied together is their business.

Poisonous nationalism could turn the former Soviet Union into a nuclear-armed Yugoslavia. Americans would be more secure if the Soviet nuclear arsenal remained under firm central control. That requires only that other republics not acquire authority to use nuclear arms still on their soil. It does not require the perpetuation of a centralized union.

Americans and Europeans want to cultivate economic and political ties with individual republics. But the Russian Republic is the key. It hopes for a more peaceful new world order are to be realized, Russia has to

be transformed into a state that poses no danger to its neighbors.

That transformation is more likely if all the republics embrace democracy, protecting the rights of minorities and assuring opposition parties a chance through free elections. Democracy may not guarantee peace, but history shows that democracies have seldom gone to war with one another.

How to nurture Soviet democracy is a matter of some uncertainty. On this Americans may have preferences, but not interests. Soviet history gives little reason to believe that rights of ethnic minorities will be better protected in a union than outside it. Nor will those rights be assured by outside encouragement of secession.

Similarly, democracy is unlikely to thrive amid hunger and deprivation. So substantial economic aid would be justified if only to help bring about markets. And obviously aid would be wasted on republics that practice beggar-thy-neighbor nationalism in trade or monetary policy.

But economics does not dictate a single market. Indeed, economic union could hold back some republics from going to market on their own if other republics are not ready or else resist, fearing domination by the Russians.

Nationalism may prove too powerful for the republics to reach the market together. They may have to do it individually, albeit with some essential common policies. What is in America's interest is that they get there, one way or the other.

—THE NEW YORK TIMES

The Democrats Step Up

A handful of Democrats have now announced their candidacies for the presidency. There will be a campaign and an election after all.

Though there are some among the newly announced who can claim impressive achievements and/or who are men of considerable intelligence, it is universally noted that they are not exactly the first team, the more tested and better known prospective candidates.

Never mind: They had the guts and the brass to run. That is a good sign. The act of seeking the presidency, of being willing to undertake the giant effort and to risk the humiliation and the cost of loss is the first qualification for the job, though not, we hasten to add, the only one.

It is a self-evident fact, which nonetheless seems to get lost in the fuss that attends these campaigns, that the job of the candidate is to show that he is fit to be president and would be a better president than would his opponent.

We would be embarrassed even to express such an obvious and elementary thought if it were not so often lost in these affairs, as we of the press fiddle around endlessly trying to stick some label or other on the participants — "populist," "moderate" and so forth — and the politicians themselves get lost in a swamp of image-making and campaign trivia and phony or pointless contentions.

Then, when it is over, the postmortems get started, and these not only shed light on what really happened, they often distort the picture further, creating the conventional wisdom — largely illusion — that leads to a new round of mistakes in the next elections.

In this connection, it seems to us there is no more insidious bit of conventional wisdom going around than that which holds that the Democrats lost last time because their candidate "wouldn't fight back." Don't get us wrong: We think the George Bush of 1988 deserved a tough fight, and we think the President Bush of 1992 asks for an even tougher one.

The administration needs to be severely challenged, and, if its campaign practices are irresponsible and unethical, this needs to be taken on head-on and in full voice.

But failure on these fronts was not what cost the Democrats the presidency in 1988, and it is face-saving, but self-deceptive for them to believe that it was a little like those politicians who, when asked in an interview what their worst fault is, say "Well, I guess I'm just too honest."

The Democrats did not lose in 1988 for being too polite. They lost for a variety of

reasons, but principal among them was that they presented a candidate whose virtues did not include plausibility as a president or, often, even an apparent feeling for the nature of the job.

Yes, that is harsh, and yes, Michael Dukakis was intellectually right on some issues where George Bush was wrong. But Mr. Bush did not come into the race as a strong or particularly popular figure, and he did not overcome these weaknesses and go on to win by virtue of the steeper aspects of his campaign — that is, by duping the American people — or by tricks or any of the rest of it.

He won because he appeared to many more people than Governor Dukakis did at least to understand the job and to be prepared to undertake it.

It is said that the Democrats have no chance this time. We do not believe it. There is plenty in the Bush administration record to challenge, plenty that has and will have increasing resonance with the voters. It will, that is, unless the Democrats blow it.

Terrible realities are pressing on state and local governments all over the United States. The economy is not looking good. People in every region are being made to face the bleak economic facts of life.

The unforgiving statistics, the bad curves, the once only theoretical predictions of trouble have come home and taken on a vivid reality in city after city.

The Democratic candidates can rabble-rouse on these issues, or they can be tough with the president and the Republicans and be specific and constructive and imaginative about how the United States gets out of its trouble. There is a big political opportunity there.

There is also a big political opportunity for a Democratic candidate to redeem the party's hapless reputation on foreign and defense policy issues, to cease being as it has so often in the past been, too reactive to the Republicans, too wishful about the rest of the world.

President Bush has made his mistakes in this area too, but the Democrats will not be credible in fingering them unless their own candidate and platform present a credible alternative.

People are making fun of the newly announced candidates. Those candidates, or at least one of them in time, will be able to make fun of the satirists by seizing the opportunity that is lying there, reminding Americans that theirs is a two-party system and, whether he wins or not, putting on a plausible and credible show.

—THE WASHINGTON POST

Her Forest of Thorns

Nadine Gordimer's newest collection of short stories, titled "Jump," includes a bitterly ironic tale that extends themes she has often explored during her 40 years of writing about life under the apartheid system in South Africa.

A white South African family that lives in affluence surrounds its home with razor wire when apartheid starts dissolving in riot and murder. The young son is caught and mangled in the razors when he acts out the tale of Sleeping Beauty, with himself as the prince and the wire as a forest of thorns through which he must pass.

Miss Gordimer, through 10 novels and nine books of short stories, has been relentless on this point: The moral corruption of apartheid invades every atom of South African life, from the splendid lawns of country clubs to the squalid shanties of Soweto. It transforms even harmless fantasies into cul-de-sacs of horror.

How fitting, then, that the Nobel Prize in

Literature comes to Miss Gordimer as her country begins to dismantle the system that she has opposed with such urgency. The world can be grateful that she resisted an early impulse to flee South Africa. Her work has helped to transform the country in ways that may yet avert the cataclysmic end that her writing warns against.

The change already wrought in South Africa is evident in its government's attitude toward Miss Gordimer herself. Not many years ago, South Africa banned her books. Now President Frederik de Klerk congratulates her, calling her award "an exceptional achievement which is also an honor to South Africa."

The Swedish Academy, which confers the prize, put it aptly: "Her magnificent epic writing has — in the words of Alfred Nobel — been of very great benefit to humanity." Though her prize was for literature, her works helped fuel a social revolution.

—THE NEW YORK TIMES

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Ming Dir. Asia: Rolf D. Koenig, 30 Glenview Rd., Hong Kong. Tel: 8610616. Telex: 61170
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For a Centralized Union to Forestall Chaos

By Padma Desai

NEW YORK — The disintegration of the Soviet Union into independent republics seemed to check itself when the leaders of eight republics agreed Tuesday on a treaty for an economic community.

But this union amounts to little more than an expression of intent. Among the hurdles is ratification by republic parliaments.

The Bush administration — caught between pragmatists inside and outside the White House who favor a closer Soviet union with some central control, and conservatives, who believe the republics should be allowed to go altogether their own way — is sitting on the fence.

But it needs to be more active, using aid to pressure republics to take the pragmatic route.

There is a strong case for effective central control in two important areas: maintaining a common currency and a unified monetary policy.

The spending binge by populist republic leaders eager to please their citizens is fueling inflation.

The demand for rubles that they are imposing on a crippled Soviet central bank has become a recipe for monetary inflation, now at the alarming rate of 2 percent to 3 percent a week. This is reminiscent of the Latin American march toward economic disaster.

To remedy this the pragmatic U.S. policy-makers and economists argue that the ruble's value should be restored by resurrecting control over monetary policy at the center.

But conservatives see in an economic union shades of the Soviet Union they want permanently buried. They prefer numerous currencies and decentralized monetary management to any form of central control. The republics, in their view, would continue trading freely with one another, ensuring a profitable division of labor, and would proceed with

economic reforms at a faster pace than a foot-dragging center.

But it is unrealistic to assume that each republic would follow sound policies, bring inflation under control, manage its balance of payments and continue trading with its neighbors under a regime of convertible currencies.

This year, as central control rapidly disappeared and republics went their way, wages doubled. Enterprises borrowed from commercial banks to meet inflated payrolls. The banks got the extra cash from republic central banks. And those banks turned on the spigot at the Soviet central bank, the Gosbank, which kept presses busy printing rubles.

There was no economic accountability: interest charges on loans, if any, were nominal and few loans

were repaid. This resulted in accelerated inflation.

Independent currencies and decentralized monetary policy will lead to rapid inflation. This will reduce competitiveness and strain the balance of payments and foreign-exchange reserves. And convertibility of the new currencies will then have to be suspended, killing free trade.

If the republics manage their own various currencies, economic instability is thus inevitable.

This undercuts the presumption that each republic can proceed with reforms at its own pace, privatizing farms and factories, freeing prices, then being rewarded by foreign investment. The republics are interdependent. Exports account for nearly 70 percent of republic income in Byelorussia, 40 percent in the

Ukraine, 30 percent in Kazakhstan.

With trade interrupted, the flow of commodities such as coal and oil will be bottlenecked, intensifying the decline in the Soviet gross national product. All the republics would be hurt badly, raising demands for U.S. aid.

This is less likely to occur if the country has a single currency, if central authorities control monetary policy and if a role for the center in tax policy is defined in a new economic union.

If reforms are to take root in a climate of sound financial management the choice is clear: The Bush administration should declare that a centralized union is a key to any bilateral and international aid.

The writer, a professor of economics at Columbia University and author of "Perestroika in Perspective," contributed this view to The New York Times.



No to Gates, No to Thomas, and No to the Process

By Jim Hoagland

WASHINGTON — We have learned not to nothing about Clarence Thomas, a good deal about Robert Gates and even more about George Bush during this dramatic confirmation season. What we have learned — and not learned — about them is hardly reassuring.

The most important lessons, however, have to do with institutions, not individuals. The hearings revealed the mounting problems of America's intelligence community, and why the Gates confirmation now would aggravate those problems. The flaws of the Senate confirmation system, "politicized" almost beyond repair, have also become more apparent.

The vote on Mr. Gates has become a Hobson's choice. The Thomas case is simpler.

Judge Thomas has openly stonewalled the Senate Judiciary Committee. His White House handlers assume this is a sufficient strategy for an undistinguished and inexperienced jurist who grew up poor and black in the South and who is willing to abandon almost every position he has taken in public life to get to the Supreme Court. They are, alas, probably right.

The most telling criticism of this strategy comes not from the professional black "leaders" of the civil rights community or those Democratic senators such as Edward Kennedy who have forfeited their claim to moral authority in these matters.

The important criticism comes from black conservatives such as Brent Staples, an editorial writer for The New York Times. Mr. Staples observes that Judge Thomas's evasive and highly suspect answers under oath "sounded... a black conservative's chance to make his case before an audience of millions." Judge Thomas "let slip the chance to jettison archaic notions about race in America, among them the false impression that conservatism among blacks is novel."

Judge Thomas emerges as a man without a guiding star, or, worse, a man without even a compass.

Mr. Bush uses Judge Thomas as a hired gun, not as an ideological companion. The president is interested in

the politics of the Thomas case, not in ideology or jurisprudence. History can only judge Mr. Bush harshly for this open trifling with the Supreme Court.

The Gates hearings bear the same deceptive stamp of Bushism. Superficially, Mr. Gates is portrayed as a hard-liner in trouble because he was too tough on the Soviets. The testimony by some of the CIA analysts who oppose him bolsters this image.

But Mr. Gates's portrayal of himself is not that of a man willing to let his hands to the steering wheel of that Mustang he drove into Washington and go over the cliff for a belief. He is a man who marched — ever upward — to the tempo of three very different presidents at the White House.

That is the chief quality Mr. Bush wants in his director of intelligence. He wants another man without much of a compass. Mr. Bush in fact wants to be his own CIA chief.

The president, it is said, loves to pour over raw intelligence cables, making his own judgments and by-passing those dense, lowest-common-

denominator analyses that sparked bitter argument in the Senate intelligence committee hearings but which have little impact on policy-makers.

In his spirited 20-point defense, Mr. Gates trotted out an analysis he had written that almost plaintively suggested that the CIA should explore more actively the possibility that Mikhail Gorbachev was bringing real change in the Soviet Union.

The telling detail was the date of the analysis: Oct. 16, 1986. This was well after the Reagan administration had made its turn toward seeking better relations with Moscow.

Senator Warren Rudman's slash-and-burn defense (crowned by his libelous resort to the accusation of McCarthyism) implicitly acknowledged that Mr. Gates has become damaged goods through these hearings. Watching Mr. Gates's angry defense, you could see and hear why he is so feared in many quarters at Langley.

He was, as Senator Ernest Hollings said, "a general who was blaming his troops." Mr. Gates's protests that he

has changed, and that he now has more respect for the agency's output, were not persuasive.

Mr. Gates's performance also undermined his nomination in another, more compelling way. His impressive marshaling of overnight dates, details and ancient analytical papers confirmed that he has an extraordinary memory and organizational abilities. His statements under oath that he cannot remember key meetings in which he was told about Oliver North's most scandalous activities are simply not credible.

Seeking to defuse the charges that he slanted intelligence to please his bosses, Mr. Gates told the senators he was actually an agnostic on the controversial question of Soviet involvement in the assassination attempt on Pope John Paul II. His ultimate judgment, he said repeatedly, was that "questions remain and probably always will."

That judgment applies to Mr. Gates as well after these hearings, and is the reason why the Senate should not consent to his nomination.

The Washington Post

The Rehnquist Court Needs No More Mediocrity

By Tom Wicker

NEW YORK — Senate head-counters believe Clarence Thomas will be confirmed this week as the ninth justice of the Supreme Court. That may result in a strengthened conservative majority. It certainly will strengthen the Rehnquist court's position as one of the least distinguished of modern times.

The current justice who achieved the highest position in pre-court life is Byron White, who was deputy attorney general when he became the only high court appointee of John F. Kennedy. That slightly outranks Chief Justice William Rehnquist, who was an assistant attorney general in the Nixon administration.

Judge Thomas and Antonin Scalia reached the Court of Appeals for the District of Columbia. John Paul Stevens, Anthony Kennedy and Harry Blackmun were federal district

judges. David Souter sat on the New Hampshire Supreme Court and Sandra Day O'Connor briefly on the Arizona Court of Appeals after a career in the state legislature.

So the Rehnquist court does not include a former senator — as Hugo Black and James Byrnes were. It has no former governor — such as Earl Warren of California, or Frank Murphy of Michigan. There is certainly no former president, like William Howard Taft (chief justice, 1921-1930), and not even a former presidential nominee, as Charles Evans Hughes (chief justice, 1930-1941) was in 1916.

One may search the Rehnquist Court in vain for an experienced diplomat. Justices Murphy and Taft had been high commissioners of the Philip-

pines. John Jay, the very first chief justice, helped negotiate the treaty ending the American Revolution.

Missing also are great and proven jurists from other courts (unless Justices Souter is considered great and proven), or persons with widely known legal reputations — such as Benjamin Cardozo or Felix Frankfurter. Nor does the Rehnquist court boast a splendid patriarch of the law like Oliver Wendell Holmes, an associate justice from 1902 to 1932, or Louis Brandeis (1916-1939).

Depending on one's point of view, not all these jurists may deserve honor. But all were persons of considerable achievement, legal or political or both, before being confirmed. The Rehnquist court includes estimable persons, but its overall pre-court record is hardly outstanding.

The Supreme Court is one of three co-equal branches of government, an institution the American people have a right and a need to view with respect. Its makeup depends, in the first place, on the occupant of the White House; but recent presidents seem to have searched more nearly for ideological compatibility than for judicial or political distinction.

Senate hearings on Clarence Thomas suggest that George Bush has followed this dubious pattern. The Senate should deny him a seat on a diminished Supreme Court. The court needs no more mediocrity.

The New York Times

Daffy, Groucho and That Iran Thing

By Leslie H. Gelb

NEW YORK — You've read the book. And you may just have seen the movie — or heard it — last week on American television.

In it were many of yesterday's heroes: Daffy Duck played by Lieutenant Colonel Ollie North, Goofy by the former National Security Council adviser Bud McFarlane, Peter Lorre by the Israeli counterterrorist chief Amiram Nir, and the Marx Brothers rendered to perfection by moderate-pragmatic Iranian terrorists.

Ted Koppel, host of the ABC program "Nightline," let you hear their voices. He and his staff obtained tapes of the actual conversations in 1986, recorded surreptitiously by an ever-helpful Peter Lorre.

You could listen to that NSC pair, Daffy and Goofy, diligently peddling arms to Iran while asking the Marx Brothers to "cause" the return of American hostages. You could hear the Iranian Groucho promising to "attempt" to do his best, while he seems to be asking Daffy if he would like to buy the Brooklyn Bridge.

The arms-for-hostages plot was familiar stuff, uplifted by the thought that Ronald McPresident might have been among those viewing. But the subplot was dynamite. It featured George Bush played by Vice President Bush and Israel dancing toward the proverbial cliff. But so far only the Israeli press has noticed this. More about the subplot later.

The movie begins with Daffy meeting the Brothers in a Frankfurt airport hotel. To make friends, he shows them pictures of the Iraqi-Iranian battlefield snatched by supersecret U.S. spy satellites. You seem to hear Groucho

mumble: "We like. You give more pictures. I sell you Brooklyn Bridge." The scene shifts to Tehran. Daffy thinks the Brothers don't appreciate the importance of Goofy's presence or his standing within the American power elite, so he says: "I believe that someday [Goofy] will be the president of our country."

Off microphone, the Brothers appear to chirp: "We sell him Brooklyn Bridge, too. Cheap. He like woman? We give him woman, too."

Meanwhile Goofy begins to suspect that the Brothers may not be men of their word, and that they might not deliver the hostages or join in his proposed anti-Communist crusade. Patience ebbing, he tells them, "I'm feeling very formid."

The Brothers are sorry to see Daffy and Goofy depart, but console themselves with the 500 U.S. missiles the Americans leave behind as a token of McPresident's good will.

Now the subplot. Weeks pass without more swapping until Daffy arranges for Peter Lorre to meet with Vice President Bush playing himself in Israel. Peter explains the problems, and soon afterward the swapping resumes. (Mr. Bush, suffering from Bob Gates disease, will not remember the meeting well.)

Richard Secord, a retired general and the key Iran-contra operative, tells Mr. Koppel in an aside that "I'm sure [the vice president] played a role" in getting things back on course.

Next, Ed Meese playing an attorney general confesses "all." The Is-

raelis, he announces, sold the arms to Iran and used the profits to buy arms for the Nicaraguan Contras.

Outraged because the Israelis knew nothing of the illegal contra angle, Peter Lorre telephones Daffy and screams: "On what basis did Meese have the guts to go and say such a thing when he knows that this can be negated and proved?" Daffy answers apologetically: "I inadvertently mislead him," but "I am at this point forced" to support the lie for my country. Fade to end.

Amiram Nir-Lorre reportedly died in an air crash. But his tapes survived to become the foundation of "Iran-Contra, The Movie." Who put them in Mr. Koppel's hands and why?

Smart Washingtonians bet that the little tape elves were Israeli or Israeli friends. The theory goes as follows: President Bush has been nasty to Israel recently, holding up a \$10 billion loan guarantee and taking a hard public swipe at the powerful Jewish lobby. This turned Israeli elites into gremlins who used "Nightline" to lob a warning shot across Mr. Bush's bow. The gremlins want him to know that there could be more tapes and more eager little elves.

Impressario Koppel assures me this is all wrong. He had the tapes before the confrontation over the loan guarantee, and they did not come from the kind of elves being whispered about in Washington.

I believe Ted wouldn't try to sell me the Brooklyn Bridge. He says he respects me too much for that. Still, I'm waiting for the sequel — "Daffy Does D.C." and "Lorre Rides Again."

The New York Times

The Dollar: Two Sides To Its Fall

By Hobart Rowen

WASHINGTON — Did the dollar depreciation triggered six years ago at the Plaza Hotel in New York succeed, as promised, in correcting the U.S. trade deficit and the Japanese and German surpluses?

The MIT economist Paul Krugman argued last week that it did, and that the policy should be scored a big success. Yet, Mr. Krugman's analysis, in a paper published by the Institute for International Economics, is likely to produce a storm of dissent.

It is not that anyone doubts that the 42 percent decline in the dollar since 1985 has had an effect on trade imbalances. It clearly has. Rather, the questions are: How much of the credit for this should go to the new exchange alignment? And how about the negative aspects of a cheaper dollar?

Mr. Krugman's best argument is that with a weaker dollar, the U.S. trade deficit declined from a peak of \$160 billion in 1987 to an annual rate of \$42 billion in the first half of 1991.

In terms of American policy goals, that is a real achievement. But there is more to the story than exchange rates. William Cline, an economist with the Institute, openly challenged Mr. Krugman for ignoring the role that the current recession played in cutting the trade deficit.

Over the past two years, the U.S. economy has grown only 0.5 percent, instead of the 4 percent that would have been normal, based on a 2.5 percent long-term annual average. That is a loss of 4.5 percentage points of economic growth.

Because consumers buy less in a recession, Mr. Cline says, each 1 point loss in economic growth reduces net consumer spending on foreign goods and the current account deficit by \$15 billion. So, he says, the 4.5 percentage point loss accounts for more than \$60 billion of the contraction in the current account deficit that Mr. Krugman attributes to a cheaper dollar.

In my view, acknowledgment that dollar depreciation by itself will not wipe out the trade deficit should spur the United States to make some much-needed changes at home: to reduce the budget deficit, pay greater attention to management deficiencies, and renew emphasis on producing a better educated work force.

In 1984, the U.S. merchandise trade deficit crossed the \$100 billion mark for the first time. Most of the deficit was attributed to a 44.7 percent rise in the dollar since 1980 that was discouraging exports, and sucking in imports.

As protectionist sentiment swelled in Congress in 1985, James Baker, when he became Treasury secretary, began a desperate search for a way to cut the deficit while protecting free trade. He decided to reverse the previous hands-off policy on the dollar. In September 1985, he launched the Group of Five initiative at the Plaza Hotel to depress the dollar by joint intervention in exchange markets, and coordinated action on interest rates.

Mr. Baker's main goal — to deflate congressional protectionists — was a huge success: The dollar, which had been edging down from its peaks since early 1985, fell further, and protectionist legislation was shelved.

But today, the Plaza Accord looks less than brilliant to many scholars. Though the dollar weakened and the yen and Deutsche mark strengthened as planned, the U.S. current account deficit, at \$122 billion in 1985, actually rose for two years, hitting a peak of \$162 billion in 1987, and only then started to decline. (The current account deficit includes trade in services as well as merchandise.)



President Havel, left, Prime Minister Antall and President Walesa, right, on Sunday at the end of their talks in Krakow.

East Europeans Seek Direct NATO Role

KRAKOW, Poland — Czechoslovakia, Hungary and Poland appealed Sunday to be directly included in activities of the North Atlantic Treaty Organization, saying that all of Europe should enjoy equal security.

"In Europe there is no place for different levels and types of security," foreign ministers from the three countries said during a weekend meeting aimed at bolstering mutual cooperation after the collapse of the Soviet bloc.

"Security must be identical for

all," they said in the statement issued in Krakow, Poland's former royal capital.

The ministers, Krzysztof Skubiszewski of Poland, Cezar Jazdzewski of Hungary and Jiri Dienstbier of Czechoslovakia, said that the diplomatic links they had established with NATO following the demise of its Communist equivalent, the Warsaw Pact, were not enough.

"Diplomatic liaison must be considerably widened to create the conditions for the direct inclusion of Poland, Hungary and Czechoslovakia in the activities" of NATO, the statement said.

The three countries welcomed the proposal last week by the United States and Germany offering them participation in NATO's nonmilitary structures.

Under the plan, which was unveiled in Rome on Thursday, NATO member countries would meet periodically with Soviet and East European representatives.

The proposals mark the furthest step by NATO members toward extending their security umbrella. The call by Czechoslovakia,

Hungary and Poland for still closer ties with NATO suggests that the three countries are looking for a security guarantee similar to the economic one provided by hoped-for associate membership in the European Community.

All three expect to become associate EC members by the beginning of 1992.

In an eight-point declaration issued later, the leaders of the three countries appealed for the institutionalization of relations with NATO "by means of an international treaty."

The joint declaration by Prime Minister Jozsef Antall of Hungary and Presidents Lech Walesa of Poland and Vaclav Havel of Czechoslovakia laid out a common stance on the latest disarmament proposals, regional security issues and relations with the republics and states emerging from the Soviet Union.

Yugoslavia is a problem "for the whole of Europe and the world," Mr. Antall said. "How can the world find a solution if a similar problem occurs in the Soviet Union?"

Hungary, which borders on Yugoslavia, has had an influx of thousands of Yugoslav refugees, and Mr. Antall's comments suggested that his country was not satisfied with European efforts to find a solution in the Balkans.

The author, John Sawatsky, 43, a journalist, said that research for the book began in 1987 as a project for the investigative journalism course he teaches at Carleton University in Ottawa. He and his student researchers reconstructed Mr. Mulroney's life on the basis of more than 600 interviews with people who have known him. Mr. Mulroney and his staff have refused to comment on the book.

"I wanted a balanced and fair book," Mr. Sawatsky said, adding that Mr. Mulroney had not replied to requests for interviews.

Since the 1984 elections that made him Canada's 18th prime minister, a number of other unfavorable books have been written about Mr. Mulroney, who, according to recent Canadian polls, is the most unpopular national leader in the history of such opinion surveys.

But the Sawatsky book is the first to assert that Mr. Mulroney flunked out of law school. Although the official Mulroney biography says he voluntarily left the Dalhousie University law school in Halifax after the first year to transfer to the Laval University law school in Quebec City, the Sawatsky book says he flunked out of Dalhousie.

"The botched torts exam had sealed his fate, and nothing depressed him more than knowing he had flunked," the book says. "The hardest part would be explaining it to his parents."

Mr. Mulroney, who had developed bilingual skills as a child in Quebec, had to take all of his Laval courses in French. He bounced back by not only eventually obtaining his law degree but also landing a job with one of the most prestigious law firms in Montreal.

(Reuters, AP, AFP)

Book Depicts Mulroney as A Flunkout And Survivor

By Clyde H. Farnsworth
New York Times Service

TORONTO — A book that portrays Brian Mulroney as a former alcoholic and womanizer who flunked out of law school has much of the country snickering and friends of the prime minister trying to discredit the author.

"Mulroney: The Politics of Ambition" also shows, however, that he has conquered his alcoholism, relies on his Yugoslav-born wife, Mila, as "his strongest supporter and toughest critic," and has repeatedly bounced back from failure and defeat, "somehow turning each seemingly fatal setback to his advantage."

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(Reuters, AP, AFP)

Anxious Keepers of the Castle

U.S. Legislators Fret About Perks and Pampered Image

By Adam Clymer
New York Times Service

WASHINGTON — The House of Representatives has just voted to abolish the bank that would not bounce checks.

But members still have a system for fixing parking tickets, and enjoy free close-in airport parking. Internal Revenue Service agents to help them with their taxes, a shop that sells handsome gifts cheaply, and even \$4.50 haircuts.

These perks are not free, argues Representative Leon E. Panetta, Democrat of California, who heads the Budget Committee. Public uproar over the bank feeds a "boiling resentment toward Congress," he said. That resentment starts with specific privileges and goes on to a general sense that while living high, the lawmakers ignore the country's problems.

So whether the furor over the bank dies down or not, the bigger problem — and the one that disturbs thoughtful members who just get angry about the bank — is how to deal with the appearance of living a pampered life.

"We have privileges, we have institutions that ordinary American citizens don't," declared Representative Dick Zimmer, a New Jersey Republican, one of the freshmen clamoring to close the bank and name major check bouncers.

The bank was shut down after it was revealed by the General Accounting Office that last year con-

gressmen wrote 3,331 checks without sufficient funds, 581 of them for \$1,000 or more. The overdrafts were covered by the bank with no penalty and all eventually were redeemed.

The speaker of the House, Thomas S. Foley, Democrat of Washington, has indicated that he plans to move against some other privileges, especially ticket fixing. But solving the image problem is not a simple matter of abolishing perks. One critic's perk is someone else's necessity, which multiplies the complexity of calculating the cost of congressional privilege.

Free parking at the office, after all, is not a privilege unique to lawmakers, and many companies keep doctors on hand. Each has come under some public attack as an unjustifiable House benefit.

But each has earnest defenders on Capitol Hill. And, as a Republican ally of Mr. Zimmer's, Representative John T. Doolittle of California, hastened to add, "This is not an assault on all privileges that members of the House have."

And the defensive atmosphere that the bank controversy has stirred worries even among members such as Representative Henry J. Hyde, Republican of Illinois, who wants individual check offenders named and embarrassed. He is concerned that public resentment will make the job less satisfying, leading able members to quit.

"Things are tougher here all the time and we needed this like leukemia," he said.

NIKOLAIS: Workers Flocking to Poland From East

(Continued from page 1)

the door of the workers' hotel where he lives. "This is the kind of work and conditions we'd like to have in the future in free Ukraine."

Local employers — cities or other entities — may hire the Soviet citizens if they establish that no Poles are available for the work in question and that the wages are appropriate in the labor market.

In Rzeszow, when the local orchestra expanded, it chose to hire 14 violinists from the Ukrainian city of Lvov at a salary of 1.4 million zlotys a month; an orchestra official said no Polish musicians were available at this salary.

From the Soviet side, a prospective worker needs only a written invitation from a Polish citizen, which must be approved by local police, and a valid Soviet passport.

Lodging is a problem for some of the mobile laborers. Local officials say that visiting Soviets have been seen sleeping in sheds Poles keep on their state-provided garden plots, leaving behind a bottle of Russian vodka as payment.

Zdzislaw Besz, a journalist from Przemyśl who operates a store and brick factory, said he hired two Ukrainians earlier this year with the help of a cousin from Kiev. Mr. Besz said he paid them the same salary as his Polish employees.

"These are excellent specialists,"

Mr. Besz said. "They never gave me any problems. I'd like to hire even more Russians."

Jacek Pasternak, head of the labor office in Rzeszow, about 100 kilometers from the Soviet border, said he had heard reports of labor markets where Polish employers can place orders for craftsmen from the Soviet Union. But he said most appeared to be finding work through informal channels.

Poland's eastern regions have unemployment rates at or above the national average of 10 percent, but local officials insist the immigrants are taking jobs Poles have already turned down.

"Generally, Poles do not want to undertake these unpleasant jobs," said Mieczyslaw Janowski, the mayor of Rzeszow. "Russians and Ukrainians do this kind of work for relatively low wages."

The Polish government's response thus far has been characterized more by slight nervousness than by panic, and there is no systematic attempt to prevent these people from working here. But if Rzeszow faces a large influx of Russian or Ukrainian workers, Mr. Janowski said, the authorities will have no choice but to vigorously enforce immigration laws.

Gandhi's Widow Endorsed for Seat

Agence France-Press

NEW DELHI — A Congress (I) Party state election committee unanimously endorsed Sonia Gandhi, the widow of the assassinated former prime minister, on Sunday as its candidate for his vacant federal parliamentary seat.

The endorsement, by the Uttar Pradesh state party for the election in the Amethi constituency next month, coincided with speculation that the Italian-born Mrs. Gandhi was reconsidering her earlier decision to stay out of Indian politics.

Sources close to the Gandhi family had no comment on the endorsement.

Sonia Gandhi earlier rejected calls by leaders of the shaken party to take over the party's presidency, which was filled by the current prime minister, P.V. Narasimha Rao.

Rajiv Gandhi was assassinated on May 21 while campaigning in southern India for elections from which the Congress (I) Party emerged a narrow winner.

Our Asian family. You'll appreciate the resemblance.

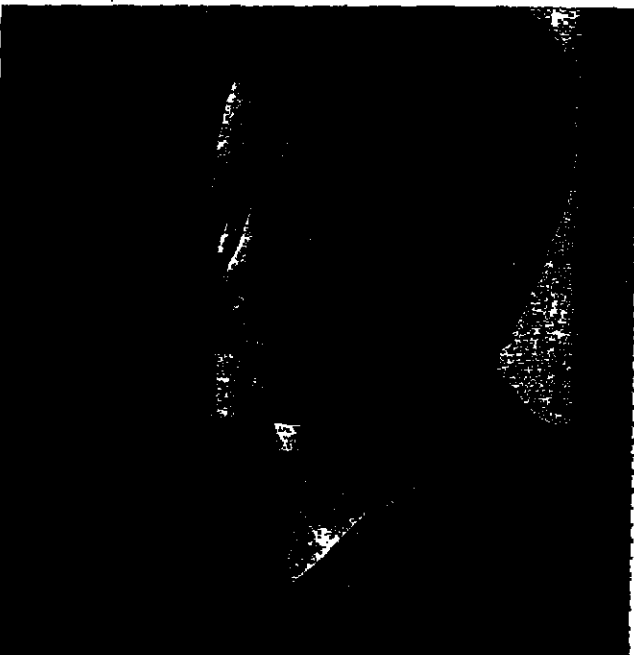


subsidiary fairs in these two cities. This means you can have access to unfamiliar markets using a thoroughly familiar, smooth-running organization. We've had plenty of time to learn how to do it right; it's 750 years since Frankfurt received the world's first Royal warrant for an international fair. Soon we're off to set up another branch of the family in Atlanta, USA. We may be going in the opposite direction but we're taking exactly the same idea. You can have confidence in the Frankfurt Fair. Wherever it is. The first of all fairs.

You can now find the Frankfurt Fair in Hong-Kong and Tokyo. We've taken all our expertise in planning and running trade fairs to the Far East and set up



Charme



GENTLEMAN
GIVENCHY

56, rue François 1^{er} - Paris 8^e

RACE: Now Marching in Reverse

(Continued from page 1)

Defense Initiative, Moscow has declared its willingness "to consider proposals" on nonnuclear arms defense systems.

While details remain to be spelled out, that proposal seems to indicate surprising new Soviet flexibility on an issue that has long aroused what the former U.S. arms negotiator Richard Burt describes as "pathological" Soviet hostility.

"It's a substantial change on their part," Mr. Burt said, from insistence that nuclear defenses are "inherently destabilizing, and any pursuit of them opens a new avenue to the arms race."

American officials will most likely be particularly impressed by Mr. Gorbachev's pledge to cancel development of several new ballistic missile systems, including a rail-based system similar to the current Soviet SS-24 and what the Soviet president referred to as a "mobile, compact-sized" missile that may be the current SS-25.

U.S. and Soviet negotiators had spent tense weeks of the START negotiations trying to hammer out agreed limitations on any Soviet modifications to the SS-25; now, Mr. Gorbachev has evidently reneged their work irrelevant by announcing immediate termination of the modification program.

The announcement should at least partly satisfy Defense Secretary Dick Cheney, who said last month that "the thing I look at specifically" as an indicator of Soviet strategic change is "their plans for follow-on ballistic missile systems."

That, he said, would be a place "where I would look to see some change."

Mr. Gorbachev's decision to cancel the new Soviet strategic missile programs and a Soviet program to build a short-range missile for strategic bombers essentially matches Mr. Bush's decision to cancel development of the new mobile Midgetman missile and a rail-based version of the MX missile.

But another Soviet decision would trim over a seven-year period about 1,000 more strategic warheads than called for by Mr. Bush or required by START, which was signed in June but has not yet been submitted for legislative approval.

"That is much more than we had expected," a U.S. official said.

The decision, which Moscow has invited Washington to match, will probably provoke unease among supporters of the B-2 strategic bomber, because the United States had planned to fill its nuclear weapons quota under the START accord partly by deploying 75 of the \$865 million planes.

Moscow's proposal to constrain the deployment of tactical nuclear bombs may also cause some discomfort, although it falls short of the outright ban on such weapons that Washington had feared the Soviets would demand. It calls in-

stead for the arms to be removed from planes for storage at military bases.

Although Washington has told its allies that it favors a unilateral reduction in the number of tactical bombs that are deployed in Europe, U.S. officials have been leery of any other restriction on their deployment. Their fear, shared in Paris and London, is that such restrictions will lead inevitably to abolition of the weapons, either through negotiations or political pressure from European citizens.

Abolition of those arms would essentially spell the end of the U.S. nuclear role in Europe, and that development, in turn, would raise new questions about the viability of indigenous British and French nuclear arms. Neither country wants to be drawn into negotiations that could lead to a denuclearization of the region.

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The Gorbachev Response

Following are the main points of President Mikhail S. Gorbachev's statement in response to the nuclear weapons cuts outlined by President George Bush on Sept. 27:

Soviet unilateral cuts

- Destroy all nuclear artillery ammunition and nuclear warheads of tactical missiles. Destroy all nuclear mines.
- Remove all tactical nuclear weapons from surface ships and multipurpose submarines. Weapons will be partly stockpiled, partly destroyed.
- Remove and partly destroy all nuclear warheads of aircraft carriers.
- Take heavy strategic bombers off military standby and store their nuclear weapons in depots.
- Stop development of compact mobile intercontinental ballistic missiles. Freeze mobile rail-based ICBMs at present levels and keep them in their permanent sites.
- Remove 503 ICBMs from alert status.
- Cut Soviet armed forces by 700,000 men to three million men "in coming years."
- No nuclear tests for the next year.

Soviet proposals

- Negotiate a further 50 percent cut in strategic weapons.
- Create a joint U.S.-Soviet early warning system against nuclear attack.
- Joint liquidation of all tactical nuclear weapons in Soviet and U.S. navies. Both sides should remove all nuclear weapons from forward military tactical aviation units.

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GERMANY: Disquieting Increase in Racist Attacks by Extremist Gangs

(Continued from page 1)

A Portuguese-owned bar in Hamburg was set on fire late Friday night. In Hochheim, near Frankfurt, two Italians were beaten up and two German youths arrested, according to the police.

Law authorities have said that about 2,000 neo-Nazis are on the loose in former East Germany, the site of some of the worst xenophobic outrages. But in a new report, the Federal Office for the Protection of the Constitution said the figure was far greater.

"It can be assumed that the neo-Nazi scene in the former G.D.R. is greater than 2,000, in all likelihood several times greater, with a growing tendency," the intelligence-collecting agency said in its report.

It said there were about 2,700 neo-Nazis in former West Germany, many of them in possession of explosives and guns.

The Cologne-based agency complained that policemen in eastern Germany had collected scant information about extreme rightists.

Unaccustomed to political violence, police officers in former East Germany have been overwhelmed by the attacks. Some appear to sympathize with the rightists.

According to the Cologne agency, 99 arson attacks against asylum shelters were committed from January through September '92 of them in August and September. Four foreigners have died in the violence, the agency said.

Chancellor Helmut Kohl on Saturday denounced the violence as a disgrace for Germany. But he said that liberal laws must be tightened to curb the influx of asylum-seekers, which is expected to reach a record 200,000 this year.

"We know that there is no solution without a constitutional amendment," Mr. Kohl said after a policy meeting of his Christian Democratic Union.

The party wants to alter the 1949 constitution to ensure refuge only for people facing genuine persecution at home. At present, the constitution gives foreigners a blanket right to claim asylum in Germany.

Mr. Kohl's Free Democrat coalition partners and the opposition Social Democrats insist, however, that an article in the constitution guaranteeing asylum must not be tampered with.

While ready to speed up the handling of asylum applications, they have vowed to block the two-thirds majority in parliament needed for a constitutional amendment.

Mr. Kohl said he believed that grass-roots pressure would force the Social Democrats to agree to a constitutional change.

The Social Democrats' parliamentary floor leader, Hans-Jochen Vogel, implied Sunday in a radio interview that Christian Democrats leaders were partly to blame for the attacks on refugee homes "because they have not acted, only talked constantly about changing the constitution."

Economics Minister Jürgen Möllemann said he feared that the debate would "further damage our reputation abroad and give far-right parties more members."

(Reuters, AP)

United Press International reported from Rome. "We had expressed our readiness to help in any way that contributed to the peaceful solution of the conflict," the official said, "but the necessary conditions do not exist at the moment."

The Trieste region has a Slovene minority. Mr. Cossiga's announcement Friday came as a surprise because Italy had previously sought to pursue its interest in the Yugoslav crisis only through the European Community.

The announcement drew a rapid response. Several hundred protesters occupied Trieste's town hall and provincial government offices Saturday, but it was not clear if they were Slovenes. Peace advocates from the Green Party denounced the move as illegal and some parliamentary deputies called it a breach of the etiquette by which Parliament should be informed of such decisions.

At a news conference Friday in Trieste, a city close to Yugoslavia, President Francesco Cossiga said Rome had agreed to a request by the Serb-dominated remnants of federal authority in Belgrade to allow federal tanks to cross Italian territory and avoid transiting Croatia if the army chose to withdraw them from Slovenia, which has pulled out of Yugoslavia.

[But an Italian Foreign Ministry official said Sunday that Yugoslav troops would not be allowed to pass through Italian territory, which has agreed to a cease-fire.

Following Mr. Tudjman's call Saturday to mobilize all Croatian forces "in a defensive war," Croatian officials said Sunday that the republic had done all the backing down that it was prepared to do.

Croatia insists that it will not lift the blockade of the barracks until the army has agreed to a cease-fire.

Speaking at the Yugoslav Army's headquarters in Zagreb, General Raseta said that his forces would continue fighting until Croatia ended its three-week siege of army barracks. The army is facing severe morale problems; it has had trouble drafting recruits and has been plagued by desertions.

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The general said no cease-fire could begin until Croatian forces backed away from a blockade that he said was limiting besieged troops in the republic to about a third of their normal food rations.

Explaining army attacks on civilian targets in Croatia, the general said: "What should we do? Should we kneel down and beg?"

"Everything depends on the leadership of the republic of Croatia," he added. Last week, the army vowed to strike "vital targets" in Croatia every time its barracks were attacked.

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SANCTIONS: EC Warns of New Measures as Yugoslav Fighting Widens

(Continued from page 1)

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Uproar Over Italian Offer

(Continued from page 1)

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EUROBONDS

Money Managers Like European Bond Yields

By Carl Gewirtz
International Herald Tribune

PARIS — Opinions vary widely about when the dollar will recover and how high it will climb, but the consensus is that it will be headed up. This optimism about the currency, however, does not translate into an eagerness to buy dollar assets. Portfolio managers say prices of U.S. stocks fully reflect the expected recovery, while bond prices are not expected to match the gains forecast in European markets.

About the most optimistic estimate for the dollar, which ended last week at 1.6765 Deutsche marks and 129.80 yen, is Citibank's forecast of 1.90 DM and 139.50 yen by year-end. National Westminster sees the dollar at 1.70 DM and 131 yen at the end of the year and then rising steadily throughout 1992 to reach 1.90 DM and 139 yen.

They consider stocks expensive, and dollar bonds relatively low-return.

H.K. Market's Last Try at Fixing Itself

By Laurence Zuckerman
International Herald Tribune

HONG KONG — The Hong Kong Stock Exchange, working against a government-imposed deadline, moved over the weekend to win the approval of the small Chinese brokers who have delayed attempts to bring the market up to international standards. The exchange on Saturday released the details of a new proposal that represents a last-ditch attempt to head off the imposition of a more stringent government plan at the end of the month. The new proposal modifies a plan that failed to capture the necessary 75 percent approval when it was voted on by members in August.

managers, merchant bankers and representatives of listed companies.

Brokers who wish to vacate their seats will be offered 330,000 Hong Kong dollars (\$42,000), about 4,000 dollars more than they were offered in the previous package.

But the plan also makes a major concession to regulators, placing strict limits on proxy voting, the principal means by which the Chinese brokers have dominated the exchange's current 22-member governing council.

According to the new proposal, only a broker's employee would be eligible to act as See BROKERS, Page 19

Rush for Yen Keeps Pressure on Dollar

By Carl Gewirtz
International Herald Tribune

PARIS — The dollar is near to turning higher against the Deutsche mark but could still fall against the yen, market analysts said over the weekend.

The yen-dollar and yen-mark rates were the main features of currency markets last week, as the yen surged 2.8 percent against the dollar and around 3 percent against the mark in two days.

Expectations were high that the yen would make further gains in coming weeks, as currency traders suddenly take heed of trends that have existed all year. Japan's increasing trade surplus and its narrowing investment outflows.

The fall of the dollar against the yen last week created the impression that it was a safe bet the dollar was about to break down against the mark, but speculators got burned as the dollar rose.

When the Federal Reserve failed to cut interest rates Friday, dealers said European investors who have been sidelined waiting for a fall decided they would start buying dollars at 1.66 DM rather than wait and possibly never see it slip to 1.61 DM, which some of them had predicted to be its floor.

"I started loading my cannon," said one European treasurer explaining his decision to buy dollars. "I've bought 20 percent of what I need. We're very near the bottom at these rates, and it's time to start loading up."

Citibank traders confirmed this trend, noting that major corporations used last week's low rates to cautiously begin buying the dollars they need over the next year.

Those purchases caught speculators who had sold dollars expecting further declines rushing to rebuy. That it turned the dollar to a high Friday of 1.6860 from its low of 1.6595 DM. It ended trading at 1.6765 DM, its highest closing level in over a week.

The view in the market is that the Fed is likely to nudge interest rates lower.

Finance Ministry's target rate for the currency is around 120 yen to the dollar. At the time, the yen was trading at 133.5 to the dollar. The dollar ended the week at 129.80 yen.

The report, apparently a leak from the Finance Ministry, was seen as a government maneuver to push up the yen prior to next week's meeting of the Group of Seven finance ministers in an effort to deflect criticism of the rising trade surplus. A revaluation of the yen should restrain Japan's exports by making them more expensive for imports.

Other analysts questioned whether the timing was related to the start of the fiscal half-year in Japan in October. Although fundamentals have long been favorable to the yen, there has been no major See DOLLAR, Page 9

France Says EC Overstepped On De Havilland

Compiled by Our Staff From Dispatches

PARIS — French government ministers on Sunday attacked the EC Commission over a veto that would prevent a French-Italian venture from buying Boeing Co.'s De Havilland commuter aircraft subsidiary.

The finance minister, Pierre Bérégovoy, said the commission was acting outside its jurisdiction and needed to be brought into line. Denouncing what he described as a "technocratic deviation," Mr. Bérégovoy said it was time for Europe to become more democratic. "The last word should be with the politicians," he said.

The foreign minister, Roland Dumas, also raised the issue at an EC foreign ministers meeting in Haarlem, the Netherlands. He said the Commission's task was to "bolster the competitiveness" of EC industry "and not hamper European industry in its projects to this end."

After the meeting, Mr. Dumas said that Aerospaciale, the French partner in the deal, would discuss the matter at a meeting with officials at the EC headquarters in Brussels on Monday.

Mr. Dumas said the Aerospaciale chairman, Henri Martre, would discuss with the officials "ways of changing the project to bring it more into conformity with Commission precedents" to make it more "presentable."

The British foreign secretary, Douglas Hurd, told reporters he was surprised that Mr. Dumas raised the issue at the meeting. "The Commission has these powers," Mr. Hurd said. "Their decision will from time to time be controversial," but must not become a matter for debate among EC governments.

The EC Commission — the executive body of the European Community — said the merger would be anti-competitive, giving the venture too great a share of the world market for commuter planes. Avions de Transport Régional, a joint venture of Aerospaciale and Alenia SpA of Italy, is the world's leading maker of commuter aircraft, while De Havilland is second.

De Havilland announced Friday in Toronto that it planned to cut its work force to 2,900, from 4,200, in the first half of next year because of reduced orders for its Dash-8 commuter airliner. (Reuters, AFP, AP)

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Political Union Impasse

EC foreign ministers were unable to overcome differences in negotiations on political union, wire services reported from Haarlem on Sunday.

France and Britain took their usual positions at opposite ends of the debate, with Britain resisting France's urging for a federal Europe with a strong defense identity independent of NATO.

Mr. Dumas and the German foreign minister, Hans-Dietrich Genscher, said they would meet in Paris on Friday to iron out the most contentious issues in forging a common foreign and security policy. They said any EC nation was welcome to join their discussions.

Diplomats said this was a reaction to a British-Italian proposal to build a European military force that would not compete with NATO.

Denmark, Portugal and the Netherlands supported the British-Italian proposal, while Spain, Greece, Belgium and Luxembourg leaned toward the French-German position.

Moscow Gets Associate IMF Status

By Steven Greenhouse
New York Times Service

MOSCOW — Opening the way for the Soviet Union to receive large-scale Western technical aid to help its transition to a market economy, President Mikhail S. Gorbachev has signed an agreement that grants this country special association status with the International Monetary Fund.

Under the agreement, the IMF will advise the Soviet Union on combating its high inflation, setting up a Western-style banking system, gathering economic statistics, and establishing a social safety net for those hurt most by economic change.

The accord, effective immediately, contains no explicit Soviet commitment beyond supplying economic statistics to the IMF. But implicit in the negotiations has been an understanding that the

Soviet government will continue to push for market principles as it negotiates to transform itself into a loose economic federation of sovereign republics.

"This agreement paves the way for the U.S.S.R. and the republics to take their rightful places in the world economic system," the IMF's managing director, Michel Camdessus, said after meeting Saturday with Mr. Gorbachev in the Kremlin.

Under communist rule, the Soviet Union repeatedly denounced the Washington-based IMF as an instrument of capitalist exploitation.

The agreement states the IMF will provide technical assistance to the republics if they request it. IMF officials said they were waiting for the central government and the republics to clarify their political and economic relationship before the agency determines what aid to give to each.

Investors to Move In If Castro Moves Out

By Alison Leigh Cowan
New York Times Service

NEW YORK — Talk about planning ahead. It seems that half the world — certainly half of Southern Florida — is frantically preparing for the day when Fidel Castro, one of the world's last military dictators, falls or otherwise surrenders power.

Some Cuban-Americans are reserving boats they can use to ship desperately needed supplies to Havana. Others are selling their homes to raise cash they can use to start businesses there, or are negotiating with American companies to sell their products in Cuba once the market opens up.

Wall Street is also joining in the odds-making. People are dreaming up various Cuban strategies.

Much investor enthusiasm stems from the economic miracle in Mexico, which saw its busted government bonds rise from 30 cents on the dollar to 57 cents once it agreed to swap its old securities for new ones.

"It's kind of a showcase," said Arthur Byrnes, director of Deltec Panamerica, which invests in out-of-favor securities. "So everyone looks around and asks where's the next big play, and clearly it's Cuba. Everyone thinks it's just a matter of time before Cuba has a phenomenal resurgence."

Mr. Castro's political undoing is far from certain. Nonetheless, recent events in Cuba seem to support the theory.

Last month, the Soviet government decided to withdraw its troops from Cuba and end subsidies. That was followed by reports that Spain may have offered the Cuban president asylum in the Spanish town where his ancestors once lived.

Now come the speculators, and their bets are taking several forms.

Some are scooping up long-forgotten Cuban stocks and bonds that have not paid interest or dividends in years, reasoning that any new government would mop up old debts or return seized property to attract money from the West.

The best bargains seem to be the loans that several commercial banks in Canada, Germany, Japan and Spain made to various Cuban government entities after Castro's rise to power. That paper, which is in default, was selling at 5 cents on the dollar earlier this year in the secondary market. Speculators have since driven it closer to 10.

But U.S. citizens are prohibited from buying the paper by laws meant to strangle the Cuban regime. They must stick to pre-Castro securities.

The pre-1960 government debt is one popular play, and there is even one 1937 Republic of Cuba bond issue that is listed on the New York Stock Exchange. Last year, 722 of the bonds — nearly 2 percent of all those outstanding — were traded.

Then, 1,068 bonds were traded through September of this year alone. In another sign of investor confidence, prices have doubled, from 20 cents on the dollar early this year to the high 40s.

Another potential play is American companies with claims against Cuba that could pay off.

One company is the Boise Cascade Corp. When it acquired Ebasco in 1969, it inherited an \$11 million claim against Cuba and it stood to gain indirectly from a \$267 million claim belonging to Ebasco's majority-owned Cuban Electric Co. Those claims arose because Castro never paid the utility's owners for seizing its assets.

Telecom Displays Basics For East Europe's Needs

Reuters

GENEVA — Pocket-sized telephones and models with built-in television screens are among the gadgets to be shown for two weeks starting Monday at Telecom 91, the vast telecommunications exhibition staged every four years, but it is the lack of even basic services in Eastern Europe that forms the theme of the show.

Telecom 91, sponsored by the United Nations-affiliated International Telecommunications Union, is the only forum to bring together virtually all the world's operators and manufacturers of communications systems.

Since Telecom 87, the \$700 billion-a-year industry has been shaken by deregulation and increased competition.

Other changes include a boom in cellular phone services that few industry experts predicted and the opening of a huge new market with a desperate need for modern telephone service: the Soviet Union and other East European countries. As a result, the telecommunications agency chose as the theme of this year's show, An Interconnected World: Improving the Quality of Life For All.

At the Geneva show, 849 exhibitors are to spend \$500 million to persuade an expected 60,000 visitors to buy their wares.

CURRENCY RATES

Cross Rates	Oct. 4	Oct. 5	Oct. 6	Oct. 7
American dollar	1.6765	1.6765	1.6765	1.6765
British pound	1.6765	1.6765	1.6765	1.6765
French franc	1.6765	1.6765	1.6765	1.6765
German mark	1.6765	1.6765	1.6765	1.6765
Italian lira	1.6765	1.6765	1.6765	1.6765
Japanese yen	1.6765	1.6765	1.6765	1.6765
Swiss franc	1.6765	1.6765	1.6765	1.6765
Other Dollar Values				
Swiss franc	1.6765	1.6765	1.6765	1.6765
French franc	1.6765	1.6765	1.6765	1.6765
German mark	1.6765	1.6765	1.6765	1.6765
Italian lira	1.6765	1.6765	1.6765	1.6765
Japanese yen	1.6765	1.6765	1.6765	1.6765
Swiss franc	1.6765	1.6765	1.6765	1.6765

Forward Rates	30-day	60-day	90-day	180-day
Swiss franc	1.6765	1.6765	1.6765	1.6765
French franc	1.6765	1.6765	1.6765	1.6765
German mark	1.6765	1.6765	1.6765	1.6765
Italian lira	1.6765	1.6765	1.6765	1.6765
Japanese yen	1.6765	1.6765	1.6765	1.6765

Last Week's Markets

Stock Indexes	Oct. 4	Oct. 5	Oct. 6	Oct. 7
DJ Indus.	2941.26	2941.26	2941.26	2941.26
DJ Indus.	2941.26	2941.26	2941.26	2941.26
DJ Indus.	2941.26	2941.26	2941.26	2941.26
DJ Indus.	2941.26	2941.26	2941.26	2941.26
DJ Indus.	2941.26	2941.26	2941.26	2941.26
DJ Indus.	2941.26	2941.26	2941.26	2941.26
DJ Indus.	2941.26	2941.26	2941.26	2941.26
DJ Indus.	2941.26	2941.26	2941.26	2941.26
DJ Indus.	2941.26	2941.26	2941.26	2941.26
DJ Indus.	2941.26	2941.26	2941.26	2941.26

Money Rates	Oct. 4	Oct. 5	Oct. 6	Oct. 7
Discount rate	5.00	5.00	5.00	5.00
Prime rate	8.00	8.00	8.00	8.00
Federal funds rate	4%	4%	4%	4%
3-month Treasury bill	5%	5%	5%	5%
3-month Treasury bill	5%	5%	5%	5%
3-month Treasury bill	5%	5%	5%	5%
3-month Treasury bill	5%	5%	5%	5%
3-month Treasury bill	5%	5%	5%	5%
3-month Treasury bill	5%	5%	5%	5%
3-month Treasury bill	5%	5%	5%	5%
3-month Treasury bill	5%	5%	5%	5%

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Canadian Dollars

Sod

Short Term

AI D/C	19%	93	95%	123
Albany	19%	93	95%	124
Air Force	19%	93	95%	125
Air Force	19%	93	95%	126
Air Force	19%	93	95%	127
Air Force	19%	93	95%	128
Air Force	19%	93	95%	129
Air Force	19%	93	95%	130
Air Force	19%	93	95%	131
Air Force	19%	93	95%	132
Air Force	19%	93	95%	133
Air Force	19%	93	95%	134
Air Force	19%	93	95%	135
Air Force	19%	93	95%	136
Air Force	19%	93	95%	137
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Air Force	19%	93	95%	139
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Air Force	19%	93	95%	141
Air Force	19%	93	95%	142
Air Force	19%	93	95%	143
Air Force	19%	93	95%	144
Air Force	19%	93	95%	145
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Air Force	19%	93	95%	191
Air Force	19%	93	95%	192
Air Force	19%	93	95%	193
Air Force	19%	93	95%	194
Air Force	19%	93	95%	195
Air Force	19%	93	95%	196
Air Force	19%	93	95%	197
Air Force	19%	93	95%	198
Air Force	19%	93	95%	199
Air Force	19%	93	95%	200

Governments/ Supranationals

[illegible]

Corporates

Alor Fin Inc	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	3014	3015	3016	3017	3018	3019	3020	3021	3022	3023	3024	3025	3026	3027	3028	3029	3030	3031	3032	3033	3034	3035	3036	3037	3038	3039	3040	3041	3042	3043	3044	3045	3046	3047	3048	3049	3050	3051	3052	3053	3054	3055	3056	3057	3058	3059	3060	3061	3062	3063	3064	3065	3066	3067	3068	3069	3070	3071	3072	3073	3074	3075	3076	3077	3078	3079	3080	3081	3082	3083	3084	3085	3086	3087	3088	3089	3090	3091	3092	3093	3094	3095	3096	3097	3098	3099	3100	3101	3102	3103	3104	3105	3106	3107	3108	3109	3110	3111	3112	3113	3114	3115	3116	3117	3118	3119	3120	3121	3122	3123	3124	3125	3126	3127	3128	3129	3130	3131	3132	3133	3134	3135	3136	3137	3138	3139	3140	3141	3142	3143	3144	3145	3146	3147	3148	3149	3150	3151	3152	3153	3154	3155	3156	3157	3158	3159	3160	3161	3162	3163	3164	3165	3166	3167	3168	3169	3170	3171	3172	3173	3174	3175	3176	3177	3178	3179	3180	3181	3182	3183	3184	3185	3186	3187	3188	3189	3190	3191	3192	3193	3194	3195	3196	3197	3198	3199	3200	3201	3202	3203	3204	3205	3206	3207	3208	3209	3210	3211	3212	3213	3214	3215	3216	3217	3218	3219	3220	3221	3222	3223	3224	3225	3226	3227	3228	3229	3230	3231	3232	3233	3234	3235	3236	3237	3238	3239	3240	3241	3242	3243	3244	3245	3246	3247	3248	3249	3250	3251	3252	3253	3254	3255	3256	3257	3258	3259	3260	3261	3262	3263	3264	3265	3266	3267	3268	3269	3270	3271	3272	3273	3274	3275	3276	3277	3278	3279	3280	3281	3282	3283	3284	3285	3286	3287	3288	3289	3290	3291	3292	3293	3294	3295	3296	3297	3298	3299	3300	3301	3302	3303	3304	3305	3306	3307	3308	3309	3310	3311	3312	3313	3314	3315	3316	3317	3318	3319	3320	3321	3322	3323	3324	3325	3326	3327	3328	3329	3330	3331	3332	3333	3334	3335	3336	3337	3338	3339	3340	3341	3342	3343	3344	3345	3346	3347	3348	3349	3350	3351	3352	3353	3354	3355	3356	3357	3358	3359	3360	3361	3362	3363	3364	3365	3366	3367	336
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Banks

Abbey Nat	88%	93	95%	12.39	+12
Abbey Nat	95%	94	95%	12.87	+147
Amex Card	17%	93	95%	9.82	+105
Amex OC Cor	9	94	99	0.95	+153
B NP	10%	94	94%	1.22	+60
Barclays	10%	93	94%	1.27	+60
Bank of Am	10%	93	93%	1.38	+60
Berlinck Bk	9%	93	97%	0.94	+100
Bk Hand & Ind	10%	94	98%	3.20	+150
Bk Nova Scoti	9%	97	99	1.05	+131
Bk Telaviv	6%	94	91	1.91	+131
Bk Toronto	10%	93	93%	2.27	+147
Bd Guarant	9%	94	100%	3.74	+177
Bd Ledaev	9%	94	100%	3.74	+177
CCF	10%	94	97%	0.94	+100
CCF	10%	94	98	1.21	+90
CCF	10%	94	95%	1.03	+80
CIBC Sing	10%	93	96	1.18	+109
CIBC	17%	93	101%	1.63	+129

ECU Straights

[illegible]

EC5C	11	94
EC5C	8	95
EC5C	10	95

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Pound Sterling

[illegible]

Yen Straights

[illegible]

MUTUAL FUNDS

Figures as of close of trading Friday, Oct. 4.

[illegible]

(Continued on Page 19)

New International Bond Issues

Compiled by Laurence Desvillies

Issuer	Amount (millions)	Mat.	Coup. %	Price	Yield	Terms
Fixed-Coupons						
Coca-Cola Amatil	\$175	1996	7%	101.16	99.95	Reoffered at 99.66. Noncallable. Fees 1.6% (Morgan Stanley Int'l)
Ericsson (LM) Telephone	\$150	1996	7%	101.425	99.90	Reoffered at 99.925. Noncallable. Fees 1.6% (Morgan Stanley Int'l)
Dresdner Bank Int'l Finance	DM 300	1996	8%	101 1/4	—	Noncallable. Fees 2% (Dresdner Bank)
Inter-American Development Bank	DM 400	1993	8%	100.92	—	Noncallable. Fees 1% (Deutsche Bank)
Turkey	DM 300	1996	10%	101	—	Noncallable. Fees 2% (Commerzbank)
Banco Finance	DK 300	1993	10	101.45	100.52	Noncallable. Fees 1.6% (Jahobank)
Municipality Finance	ECU 240	1996	9%	101.70	—	Reoffered at 100.10. Noncallable. Fees 1.6% (Goldman Sachs Int'l)
British Gas Int'l Finance	£ 200	2001	9%	101 1/4	99.50	Reoffered at 99.45. Noncallable. Fees 2% (Deutsche Bank Capital Markets)
Coisa Centrale Desjardins	CS 100	1996	9%	101.325	100.00	Reoffered at par. Noncallable. Fees 1.6% (Wood Gundy)
Ciba-Geigy	CS 150	1996	9%	101.45	99.95	Reoffered at 99.98. Noncallable. Fees 1.6% (JBS-Phillips & Drew Securities)
Guinness Finance	CS 150	1998	9%	101.475	99.25	Reoffered at 99.95. Noncallable. Fees 1.6% (Credit Suisse First Boston)
National Bank Mortgage	CS 150	1996	9%	101.325	100.20	Reoffered at par. Noncallable. Fees 1.6% (Wood Gundy)
Ontario	CS 750	2001	9%	101.325	99.65	Reoffered at 99.56. Noncallable. Fees 2% (Scotiabank)
McDonald's Australian Property Funding	Aus \$ 85	1998	10%	100.70	98.70	Noncallable. Fees 2% (Deutsche Bank Capital Markets)
SBC Finance (Cayman Islands)	Aus \$ 100	1998	10%	101.54	99.75	Noncallable. Fees 1.6% (Swiss Bank Corp.)
South Australia Government Financing Authority	Aus \$ 125	1998	10%	100 1/4	98.60	Noncallable. Fees 2% (Monrovia Bank)
Crédit Local de France	¥ 40,000	2001	6	99.80	99.75	Noncallable. Fees 0.35%. Denominations 10 million yen. (Daiva Europe)
Hino Motors	¥ 20,000	1999	6.50	101.20	—	Reoffered at 99.70. Noncallable. Denominations 10 million yen. Fees 1.6% (Yamachi Int'l Europe)
Inter-American Development Bank	¥ 35,000	2001	6	100.20	100.07	Noncallable. Fees 0.325%. (Bank of Tokyo Capital Markets)
Toho Gas	¥ 10,000	2002	6%	101 1/4	—	Reoffered at 99.85. Noncallable. Denominations 10 million yen. Fees 2% (Daiva Europe)
Toshiba	¥ 30,000	1997	6%	101 1/4	—	Reoffered at 99.85. Noncallable. Denominations 10 million yen. Fees 1.6% (Mitsubishi Int'l)
Toshiba	¥ 30,000	1999	6%	101 1/4	—	Reoffered at 99.725. Noncallable. Denominations 10 million yen. Fees 1.6% (Mitsubishi Securities Europe)
Equity-Linked						
Ciba-Geigy	\$150	1998	5%	100	—	Noncallable. Each \$1,000 note with one warrant exercisable until April 1995 and by lots of three into one of company's registered shares of \$3,070 francs, a 3.4% premium. Fees 2.6% (Goldman Sachs Int'l)
Kangwon Industries	\$ 40	2006	open	100	—	Coupon indicated of 3 to 3.6%. Redeemable in 1996 to yield 7 to 7.6%. Convertible into preferred shares of an expected 18 2/3% premium. Terms to be set Oct. 7. Fees 2.5% (Jardine Fleming)
Sumitomo Textile	DM 100	1995	5%	100	—	Noncallable. Each 5,000-mark note with five warrants exercisable into company's shares of 600 yen per share and of 80.47 yen per mark. Fees 2.6% (Westdeutsche Landesbank)
Yahagi Construction	DM 100	1995	5%	100	—	Noncallable. Each 5,000-mark note with five warrants exercisable into company's shares of 1,107 yen per share and of 80.47 yen per mark. Fees 2.6% (Daiva Europe Deutschland)
Morinaga Milk Industries	ECU 80	1995	6%	100	102.25	Noncallable. Each 10,000-mark note with two warrants exercisable into company's shares of an expected 26% premium. Fees 2.6%. Terms to be set Oct. 8. (Mitsubishi Securities Europe)

BONDS: Money Managers Like the Yields in Europe

(Continued from first finance page)

Finnish stocks take 3 percent, compared with a 0.2 percent weighting. The equity holdings are not hedged on a currency basis, but Mr. Cowan notes the companies chosen all have substantial dollar revenue.

Alan Saunders, head of investment strategy for Union Bank of Switzerland's private banking clients in London, has 60 percent invested in bonds for income-oriented dollar accounts and 40 percent for portfolios geared to aggressive capital growth.

About 60 percent of the bond portfolio is in European markets, with Italian, Spanish, French and European currency unit bonds ac-

counting for the bulk. Mr. Saunders has omitted German bonds, seeing better value in the higher yields of neighboring countries. He also has up to 10 percent in cash and invested short-term to benefit from the inverted yield curves in many European countries that have pushed short-term returns above those available in long-term investments.

"At the moment we're happy to run European exposure for dollar accounts. At some stage we'll need to hedge into dollars, but for the moment we feel pretty relaxed about it," he said.

For European investors, three-quarters of the bond investments are in European markets with the

remainder about equally split between U.S. and Japanese bonds.

At Banque Julius Baer in Zurich, Helmut Sauer said bonds make up 70 percent of conservative portfolios, 55 percent for riskier accounts. "We have a strong conviction that most bond markets will do well over the next six months," he said.

For Baer's European clients, Em. French franc and sterling bonds account for a third of total bond holdings. French and British equities also account for a large part of the stock investments.

"Declining inflation will buoy the bond markets, and the decline in interest rates will help the equity markets," he said.

DOLLAR: Dealers Suddenly Swoon Over the Yen

(Continued from first finance page)

impact on the currency market because inflows into the currency were negated by short-term capital outflows from Japan — estimated at \$40 billion in the first six months of calendar 1991.

These banking outflows were assumed to be a way of covering problems at foreign operations, notably in the United States where Japanese account for 10 percent of a troubled market, and a way of avoiding paying a premium for borrowed funds as the credit ratings of Japanese banks were slashed. If the outflow of short-term funds had now run its course, there would be no offsetting sales to keep the yen from rising.

Yet another theory is that repatriation of foreign assets is forcing up the yen and that the currency's rise is a measure of financial weakness rather than strength. Japanese

business is said to be suffering huge cash-flow problems and the paper gains on foreign assets booked in the fiscal first half are now being sold to bring needed liquidity home for the new reporting period.

At the same time, foreign investors have been stepping up purchases of Japanese bonds and stocks, which are expected to benefit from further interest rate reductions as the Bank of Japan reacts to the slowing of economic activity.

Also not to be overlooked is the fact that for foreign exchange traders, the yen had become the only game in town. Dealers had been reluctant to buy the dollar because of uncertainty about the U.S. outlook and afraid to buy European currencies because of economic or political worries there.

"The yen is strong by default," insists Andre Drobny at Bankers Trust in London.

While analysts are convinced the yen has room to advance, there is considerable doubt about its ability to reach new highs right away.

A decline in Japanese rates is thought to be imminent, which will make investment in Japan less attractive to domestic and international investors. Japanese analysts say an exchange rate of 125 yen to the dollar will draw domestic investors back to foreign markets, limiting the room for the yen to rise.

Stephen King, an analyst at James Capel & Co., sees the U.S. recovery leading to a sell-off in the yen, putting it back to around 135 against the dollar later this year. When the Japanese economy begins to rebound next year, he expects the rate to return to the mid-120 level and then to surge to an all-time high by the end of 1992.

JAPAN: The Corporate Ties That Bind and Build

(Continued from page 1)

from the kind of hostile takeovers and stockholder demands for quick profits that plague many American industries.

A small example of keiretsu cooperation: Go into a bar full of white-collar workers from a Sumitomo keiretsu company, and the beer they'll be drinking almost surely will be Asahi, brewed by a Sumitomo-affiliated company. Go into a bar full of salarymen from the Mitsubishi keiretsu, and the beer will be that of the Mitsubishi group brewer, Kirin.

The keiretsu system represents probably the single most potent threat to American companies in the global battle for sales, profits and jobs. The extensive, stable alliances that Japanese companies form with each other enable them to adopt long-term strategies of market conquest that their American competitors cannot afford to match.

The keiretsu system also is one of the most important obstacles to the most important obstacles to foreign companies trying to penetrate the Japanese market — at

least in the opinion of the U.S. government. Washington is pressuring Tokyo to ferret out and crack down on keiretsu collusion.

In the view of a growing number of experts, the network of long-term links among Japanese companies is emerging as the key to what sets Japan's economic system fundamentally apart from that of the United States.

"Keiretsu is the bedrock of the way Japan competes internationally," said J. Michael Farren, the U.S. undersecretary of commerce for international trade.

What all this is ultimately about, according to Koichi Imai, a professor at Tokyo's Hitotsubashi University, is "a struggle for leadership in shaping the economic systems of the century to come."

Strong evidence suggests that the keiretsu system provides Japanese industry with an incalculable competitive edge.

Not that the prevalence of keiretsu means that competition between companies is absent in Japan. On the contrary, some of the fiercest rivalries in the world can be found among companies like the Sumitomo group's NEC, Mitsubishi Electric Corp., and Toshiba Corp. of the Mitsui group.

Nor are keiretsu rigid clubs that deal only with fellow members. Members of one commonly do business with members of others. But keiretsu connections pervade Japanese industry. Manufacturers maintain very close ties with their suppliers and distributors. And the stock of a typical Japanese company is held by scores of allied companies: Fully 60 percent to 70 percent of the stock in publicly traded Japanese companies is held by these "stable shareholders."

Yasuharu Ishizawa, a special correspondent, contributed to this report.

Freddie Mac Extends Time To Pay Fines

Washington Post Service

WASHINGTON — Stunned by the imposition of fines on Wall Street firms that had been bidding for debt of the Federal Home Loan Mortgage Corp., leading securities firms must decide Monday to whether to pay the penalties.

Salomon Brothers Inc. has announced that it would pay the penalty imposed by the Federal Home Loan Mortgage Corp., better known as Freddie Mac.

At least 17 other dealers, after seeking more time to weigh their options, were granted an extension Friday that gave them until Monday morning to say whether they would pay the fine in order to retain the right to be an original dealer of the corporation's securities. The brokerage houses and banks are worried about exposure to additional penalties and lawsuits in the scandal, according to securities industry executives.

Freddie Mac officials said the penalty involved the return of 20 percent of the commissions the dealers earned in 1990 and 1991 from selling Freddie Mac's debt to the public. The dealers have admitted inflating customers' orders or filing other false information to obtain greater shares of securities than they were entitled to.

Still-Higher Bond Prices in Prospect

Market Watchers Expect a Further Easing by Fed After Weak Jobs Data

Compiled by Our Staff From Dispatches

NEW YORK — Buoyed by economic weakness and the prospect of falling interest rates, bond prices are expected to pursue their climb this week, after reaching a four-year high on Friday, market analysts said.

After a September employment report that was generally considered weak, the benchmark 30-year U.S.

Philip Braverman, chief economist at DKB Securities Corp., felt the same. "The unemployment report is certainly weak enough to justify an imminent Fed easing," he said.

For this week, Mr. Braverman predicted "profit-taking if the Fed's inevitable easing is only another mere 25 basis points. But there will be expectations of further Fed easing and a renewal of the rally," he added.

Last Thursday's money supply numbers were also weak. M-2 fell by \$3 billion for the week ended

Sept. 23. M-2 includes money in circulation, traveler's checks, checking accounts, bank deposits and Eurodollars.

But the Fed apparently did not ease Friday, sticking to its pattern of letting the markets judge rates down before the central bank steps in. "By hanging fire like this, the Fed isn't threatening the improvement in inflation expectations," said Robert V. DiClemente, an economist at Salomon Brothers Inc.

The Fed's easing could come within a week, said Steven L. Seelow, executive managing director at

Carroll McEntee & McGinley, a primary dealer in government securities. "The Fed gets the next week's money supply numbers on Tuesday, and if they are very weak, they may ease that day."

Not everyone thinks that the Fed will necessarily ease, however, mostly because there have been scattered signs that business and consumer buying firmed a bit last month. "There's no compelling reason for the Fed to ease," said Lawrence A. Kudlow, chief economist at Bear, Stearns & Co. (UPI, NYT, Reuters)

U.S. CREDIT MARKETS

Treasury bond's price rose to 103 30/32 late Friday, yielding 7.78 percent. That compared with 103 12/32 and 7.82 percent the week before.

The Labor Department reported the economy created 24,000 nonfarm jobs in September, setting off widespread market speculation that the Federal Reserve would decide soon to cut the overnight federal funds rate a quarter point, to 4.75 percent. The Fed last eased rates on Sept. 13, when it lowered both the discount rate on its loans to banks, and apparently its target for the fed funds rate.

"The weak jobs report could trigger Fed easing sooner than later," said Edward Yardeni, chief economist at C.J. Lawrence Inc. "The goods-producing payrolls fell an unexpected 37,000, and state and local governments continue to cut their payrolls."

FOMC Report Reveals Policy Shift

Compiled by Our Staff From Dispatches

WASHINGTON — Federal Reserve policymakers voted in late summer to tilt monetary policy in favor of lower interest rates if the economy declined further, according to minutes released Friday.

The policy change, which was adopted Aug. 20 by the Federal Open Market Committee, could signal another move to cut interest rates soon if the economy remains sluggish. The FOMC met again Tuesday to map strategy amid renewed calls by the administration for lower rates. Those minutes will be released next month.

But the August minutes showed a majority of FOMC members "felt that the risks to the expansion were largely on the side of a weaker-than-expected economy, and they believed that the Federal Reserve should react promptly to signs that the expansion was less robust than desired or that monetary conditions might be inconsistent with sustained growth." (AP, UPI)

U.S. Treasury Bonds

Maturity	Bid	Ask	Yield	Wk. chg.
20.09.92	102 1/2	102 3/4	5.87	4.02
15.08.94	101 1/2	101 3/4	6.15	6.26
30.09.96	100 1/2	100 3/4	6.77	6.29
15.07.98	105 1/2	105 3/4	7.30	7.48
15.08.01	102 1/2	102 3/4	7.30	7.48
15.08.01	103 1/2	103 3/4	7.30	7.48

U.S. Consumer Rates

The Ramsey Bonds	Rate
Money Market Funds	4.8%
Money Market Funds	5.1%
Bank Money Market Accounts	4.9%
Bank Money Market Accounts	5.2%

Source: New York Times Service, UPI.

Plunging Prices for Wool Spur Lawsuit in Australia

Compiled by Our Staff From Dispatches

CANBERRA — Treasurer John Keating of Australia, is being sued by a group of wool brokers alleging they lost money when he scrapped a fixed minimum price for the country's wool.

A lawyer representing Hamilton Wool Processors of Victoria, Union Australia and United Holdings, the losses claimed by the brokers, the claim with the Federal Court in Sydney on behalf of the companies alleging "negligent misstatements" by Mr. Keating.

Mr. Keating, who was not immediately available for comment, has until Nov. 1 to respond to the claim. The suit is for 11.5 million Australian dollars (\$9.2 million), the losses claimed by the brokers. In his former post of primary industries minister, Mr. Keating cut the wool floor price 7 dollars a kilogram (2.2 pounds) from 8.70 dollars, effective July 1 last year to try to clear a 4.8-million bale stockpile amassed due to a lack of buyers. When he announced the cut, Mr. Keating said the 7-dollar floor was "immutability."

Under the plan, the Australian Wool Corp bought unsold wool at the floor price. But in February of this year, with buyers still sparse, Mr. Keating discontinued the floor price altogether and prices fell, devastating wool bought under the fixed-price plan. With wool now sold on demand in a free market, the price last week was 4.42 dollars a kilogram. The wool stockpile is now 4.5 million bales.

Falling wool prices come as farmers are being battered by drought and plunging crop prices. The rain double low of wool and wheat prices is a likely to drive heavily indebted farmers to the wall.

In New South Wales, the agriculture minister, Ian Armstrong, declared 55 percent of the state in drought as dust storms swept the topsoil from farm land. (Reuters, AFP)

A Case of Credit Card Fraud?

American Express Orders Investigation of Optima Books

By Scot J. Pallrow

Los Angeles Times Service

NEW YORK — American Express Co., reeling from disclosures of huge third-quarter losses on its Optima Card operation, is looking into whether middle-level executives may have deliberately falsified records to downplay an alarming rise in nonpayment of credit card bills.

Disclosure of the big losses has caused American Express stock to plummet, and prompted unusually harsh criticism of the company from some securities analysts Friday, who noted that the surprise disclosure was only the latest in a series of major embarrassments for the diversified financial services giant.

The company also confirmed Friday that it expected to have to set aside a large amount for Optima losses again in its fourth quarter.

American Express stock fell \$1.25, to \$21.75, on Friday before trading on the New York Stock Exchange was halted for the day in advance of a company statement addressing how the losses would be accounted for in the fourth quarter.

The decline followed a drop of \$2.375 on Thursday.

The company last week said it was taking a \$265 million charge against earnings for the third quarter, ended Sept. 30, mainly due to problems with Optima. Although the company denied in a statement Friday that it would take a "special charge" in its current fourth quarter, spokesman Lawrence A. Amour did not rule out that "exception" provisions for losses from bad credit card debts could be as much as \$100 million higher than in either of the first two quarters of the year.

Optima, introduced in 1987, was American Express' attempt to compete with Visa and MasterCard by offering revolving credit. The company has acknowledged that it marketed Optima too aggressively, to consumers who turned out to be poor credit risks. The company said Optima was hurt by the economic downturn and a sharp rise in personal bankruptcies. A spokesman confirmed that top American Express executives, including chairman, James D. Robinson Jr., did not learn of rapidly worsening

problems at Optima until less than three weeks ago.

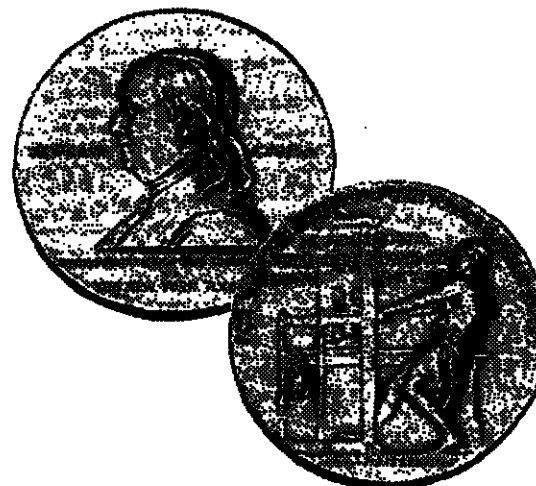
Harvey Golub, the American Express president, said the company had retained an outside law firm to conduct an internal investigation into why \$24 million of Optima Card losses were not recognized in earlier quarters. The company said Wednesday that the losses were not disclosed earlier "because of certain failures to comply properly with internal credit policies." The \$24 million of losses made up part of the \$155 million the company said it was setting aside in the third quarter to cover losses from Optima card holders who had defaulted on their bills.

Executives connected with the Optima project were known to be under intense pressure to produce good results. Mr. Golub, who is also a member of the company's two-person office of the chairman, declined to comment on whether the company had uncovered evidence of deliberate wrongdoing in failing to book the \$24 million over three earlier quarters.

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Telecommunications

Deregulation Connects the World Telephone-Computer Link Fuels a New Information Age

By Jacques Neher

PARIS — It has been seven years since Judge Harold H. Greene dropped a bombshell on the telecommunications industry by ordering the breakup of American Telephone & Telegraph Corp., but its shock waves are still being felt throughout the world, spawning national and regional telecommunications liberalization projects that promise a long period of sustained growth for the industry.

At the same time, researchers are racing ahead to find new ways to merge computer and telephone technologies into sophisticated information systems, guaranteeing a host of innovative services for business and private users in the decade ahead.

The liberalization movement is particularly active in Europe, where European Community officials are overseeing efforts, begun with a 1987 Green Paper, to break the strangleholds of the respective PTTs and open the way to competition. Britain is clearly at the forefront, with the government preparing this fall to sell off its remaining 48 percent stake in British Telecom, but France and Germany have also moved to encourage free enterprise in some telecommunications sectors.

Elsewhere, privatization of state telecommunications assets has also been carried out or is continuing in Australia, New Zealand, Mexico, Venezuela and Argentina. In Japan, the government in the past year has opened the way for long-distance services to compete with the national carrier, NTT.

THE liberalization has been nourished by the widely held belief that telecommunications is an area of vital national and regional interest, particularly as a fuel for economic development, and that monopolistic systems do not encourage the innovation and infrastructure investment required to create a thriving business environment.

"Telecommunications have become central to the development of a global economy," said David Gillick, a telecommunications regulatory-affairs specialist with PA Consulting Group in London. "What petrochemicals have been to this century up to now, telecommunications will be to the end of the century and the next. That's why the European Commission has taken such a forceful approach to deregulating telecommunications."

This rationale is being demonstrated in East European countries, which are putting telecommunications development high on their

priorities list as they move toward establishing free-market economies.

"If these governments choose to build up the private sector, they more or less have to build up their telecommunications infrastructure, and the fastest way to achieve that is to open up their markets to private-sector participants," said Achmad Chadran, telecommunications research manager for Northern Business Information, a New York consultancy.

HOWEVER, the telecommunications buildup is not just a matter for economic development. Governments recognize that a modern telecommunications infrastructure is vital for national security, as future generations of military hardware become increasingly dependent on telecommunications and governments look for sophisticated equipment to ensure security and backup.

"Good telecommunications infrastructure offers something for everybody," said Mr. Chadran. "From the First World to the Third World, even if the priorities for development may be different, I think we can look forward to healthy telecommunications-sector growth through the next decade."

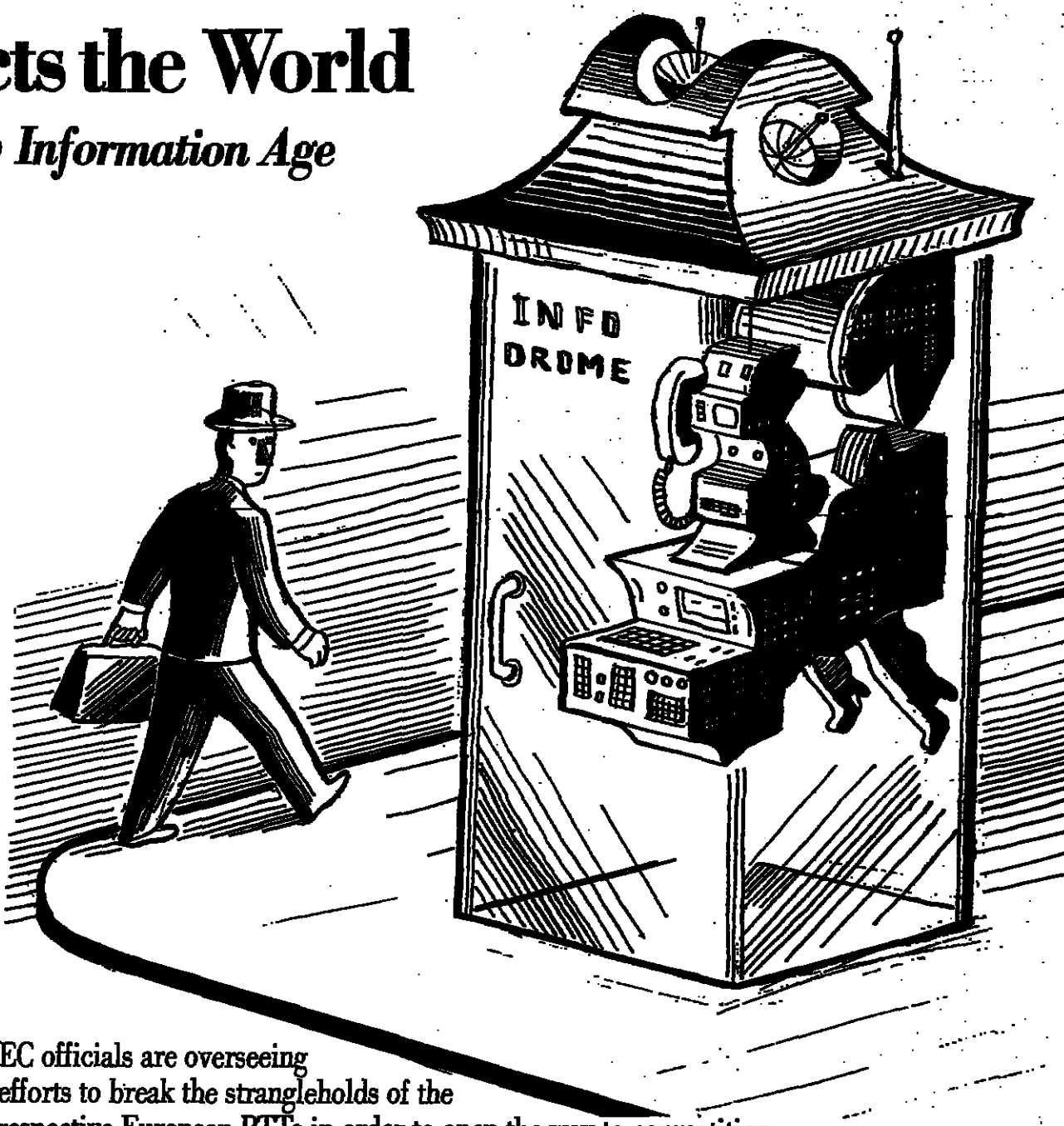
He predicted that the world telecommunications equipment market will more than double by the end of the decade to \$192 billion, from \$95 billion in 1990, with Asia, particularly Indonesia, the Philippines, Singapore and Taiwan, registering the fastest growth rates. Data communications equipment should experience the highest growth, at 10 percent a year, followed by transmission gear, at 9 percent, and switching systems, 6.5 percent, he said.

The buildup, industry experts say, should provide numerous opportunities for the major global players in the telecommunications equipment market — AT&T, Alcatel NV, Northern Telecom, Siemens AG, L.M. Ericsson AB and, to a lesser degree, NEC Corp. and Fujitsu Ltd. of Japan.

The services side should also experience solid growth, particularly in Europe. Hugh Small, European director for Arthur D. Little in London, predicted that telephone services will grow at an average compound rate in Europe of around 7 percent a year over the next 20 years, up from a 4 percent annual growth rate over the past decade. He put the European Community's phone bill, excluding value-added services, at around 88 billion Ecu (\$73 billion) last year.

That growth, he said, will be stimulated by several factors, including a drop in prices

Continued on page 14



EC officials are overseeing efforts to break the strangleholds of the respective European PTTs in order to open the way to competition.

East Europe Challenges The Industry

By Sir Donald Maitland

LONDON — Until a few years ago, telecommunications operators, users, regulators and equipment manufacturers had clearly defined preoccupations. They debated privatization, liberalization, standardization, the creation of the single market within the European Community, technological advance, competition and the prospects for an agreement on services at the end of the GATT Uruguay Round.

Events over the past two years have added to the agenda. The triumph of democracy in Central and Eastern Europe, the dissolution of the

COMMENTARY

Soviet Union and the Gulf war all have implications for the future of world telecommunications. New opportunities have arisen as well as new challenges. Of the old problems, many remain. But one basic truth is unaffected: An effective telecommunications system that meets demand is a prerequisite for economic advance.

Generalizations can be misleading. Yet the telecommunications systems in Eastern Europe — Poland, Czechoslovakia, Hungary, Bulgaria and Romania — have several common features. For 40 years, without exception, the networks were neglected. Even before World War II, this sector was among the most backward and the advent of the Communist regimes did nothing to improve the situation.

Investment in the telecommunications infrastructure was woefully inadequate. While telecommunications in these countries are today comparatively well developed, export restrictions during the 1980s deprived them of access to the digital technology that was beginning to revolutionize networks in Western Europe. It is no surprise, therefore, that in these five countries the average telephone penetration rate is 11 per 100. The average in the European Community is 43 per 100. Even in the less prosperous member states, the rate is far higher than in the East: 18 per 100 in Portugal and 36 per 100 in Greece. Nor is it unexpected that mobile telephony, data communications networks, video-text, electronic mail and integrated digital network facilities are hard to find.

The situation in the Soviet Union is similar. Although industrialization was a fundamental

Continued on page 12

- Relaxed export curbs are a boon for trade with East Europe Page 12.
- Japanese firms are betting on broadband ISDN technology Page 17.
- Telecommunications standards agencies are proliferating Page 13.
- Telecom systems are allowing white-collar jobs to go offshore Page 17.
- A court ruling has opened up new markets for U.S. Baby Bells Page 14.
- Investors are cashing in on divestiture in the developing world Page 18.
- The battle over TV program quotas is heating up in Europe Page 15.
- Germany's Telekom is an institution with a mixed mandate Page 18.

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British TV Licenses Auction Turns Into Soap Opera Fare

By Brenda Maddox

LONDON — How to make companies pay for using the radio spectrum is one of the chronic worries of broadcasting. When she was Britain's prime minister, Margaret Thatcher dreamed up a characteristically short, sharp solution: Auction radio and television licenses to the highest bidder. The auction is now under way. In May, sealed bids were submitted to the Independent Television Commission (ITC) for the 15 regional and one national (breakfast-time) commercial television licenses, or franchises, which together form Britain's most popular channel, the advertiser-supported ITV-1. The results will be announced by the end of this month.

But Mrs. Thatcher's free market dream has turned into a nightmare. The auction looks as if it is turning out to be neither fair to bidders nor beneficial to viewers. It appears to be taking out of the commercial television system money that should be going into programs.

Some of Britain's most reputable and successful television companies could lose their franchises only because they have been outbid. The television fare of the entire channel could be thrown into a state of uncertainty as the new owners try to agree on new terms for a network.

There is also the prospect of endless litigation. For the first time since British commercial television franchises started to be awarded in the 1950s, the award decisions may be challenged in court.

Perhaps the worst aspect is that, as a way of making commercial television more efficient and encouraging new entrants, the auction looks unnecessary. Starting in

1994, takeovers will be allowed. European investors, who have been surprisingly uninterested in joining the bidding, seem to have decided to wait until then to try to buy into British television rather than entering the current confused and messy competition.

All of these problems might have been worth it if the highest-bid auction wrung the highest possible amount of money out of the system to the British Treasury. But it has not. Some of the most desirable franchises have gone unchallenged. Their present holders, guessing correctly that there would be no last-minute rival bids, put in relatively small bids.

Central, in the English Midlands, for example, will hold on to its franchise for a song, a prospect that was immediately reflected in the values of its shares on the stock exchange. The "false market" in shares that has developed is another unexpected consequence of the long wait between the submission and the opening of the bids.

THE new system was intended to be more objective and understandable than that of the past, when the franchises were awarded on the basis of subjective judgments made in secret by the regulatory authority. But today's decisions look like they are requiring equally subjective decisions.

Each franchise bid has had to be calculated on the basis of forecasts of trends that cannot be predicted accurately and on which there is no agreement. Applicants have had to estimate the speed of the recovery from the recession in advertising revenue and of the advance of cable and satellite television. They have had to weigh the estimates for their own region against those of the nation.

TVS, for example, the incumbent franchise-holder in south-

eastern Britain, has been mocked for its exceedingly high bid of nearly £60 million (about \$100 million). TVS says its optimism is justified. It points to the region's unusual prosperity, population growth and lack of interest in cable and satellite.

Any hope that the television auction would be simple vanished in the run-up to last year's Broadcasting Act. As Parliament tried to draw up the rules, neither MPs nor the public could accept the prospect of television franchises going to companies interested only in profits, unhampered by any public service obligations. It seemed all too likely that the highest bidder for a franchise could be a foreign media magnate, willing to put on only game shows and movies.

To guard against these risks, Parliament built a "quality threshold" into the auction. Before their cash bids could be considered, applicants would have to convince the Independent Television Commission of the soundness of their financial forecasts and of their programming promises. But once over the threshold, the highest bids would win unless the ITC decided that there were "exceptional circumstances."

This combination of quality threshold and exceptional circumstances has recently been called by The Economist magazine "ambiguous to the point of absurdity."

Politicians now worry about viewers' anger. If rumors be true, the makers of some of Britain's favorite programs are about to be dislodged.

GRANADA Television in the northwest, for example, is said to have been outbid by a new company, North West. Granada makes the most popular program in British television, its soap opera, "Coronation Street," draws



A scene from "Coronation Street," a British TV hit.

from 14 million to 17 million viewers three times a week. If Granada lost its franchise, it could still make the program and sell it to the BBC or to satellite television, thereby seriously weakening the financial health of the main commercial network. Will the ITC decide that this constitutes an exceptional circumstance?

The leaders of the British television world, including the BBC, at the Royal Television Society's biennial conference in Cambridge in September, searched hard for the causes of the auction debacle.

Richard Dunne of Thames Television, another franchise that is in danger, cited Mrs. Thatcher's anger against ITV in the spring of 1988 over its handling of two controversial shows on Northern Ireland. She was so enraged, he said, by the Thames documentary, "Death in the Rock," which criticized the government's version of

the killing of three Irish terrorists, and also by the refusal of Independent Television News, ITV's news service, to hand over film footage of the killing of two soldiers by a mob in Ulster that she distrusted the judgment of the whole ITV system. Putting it out to competitive tender, she decided, might put it in "more reliable" hands.

Others blamed the commercial television industry itself for not arguing the case against the "highest bid" auction forcefully enough.

But blame is inappropriate. The auction is a reality. Unless there are clear exceptional circumstances, the biggest cash bidders will get the franchises and Mrs. Thatcher's old adage will again be proven true: "Who Dares Wins."

BRENDA MADDOX is a biographer and a media columnist of The Daily Telegraph.

West-East Technology Flow Will Quicken as Curbs Fall

Multinationals Watch Export Decontrol

By Lynn Haber

BOSTON — The recently relaxed export restrictions on computer and telecommunications equipment headed for Eastern Europe and the Soviet Union is a boon for multinational corporations looking to establish business there.

The decontrols are expected to hasten the development of a modern basic telecommunication infrastructure, which, today, in many East European countries and the Soviet Union, is reminiscent of the U.S. telephone network in the 1950s. The new product control list from the 17-nation Coordinating Committee for Multilateral Export Controls, or COCOM, represents the first major overhaul in 13 years. The initiative reflects political changes taking place in Eastern Europe and the lessening of a military threat to the West.

For high technology vendors trying to win contracts in the East, the newly published "core list" of computer equipment requiring an export license represents about a 25 percent reduction compared with the previous list, according to the U.S. Commerce Department.

In the area of telecommunications, however, liberalization of export controls has been sluggish, particularly regarding fiber-optic cable.

In Eastern and Central Europe the export of fiber-optic cable with transmission speeds of 565 megabits-per-second is allowed and compares with what is available in most parts of the world. However, COCOM restricts the export of fiber-optic cable with transmission speeds above 45 megabits-per-second to the Soviet Union.

Such cable, reportedly, represents the most basic fiber technology and is not cost-efficient for large-scale telecommunications projects.

"The biggest and most positive change in telecommunications export policy is greater flexibility in equipment going to Hungary, Czechoslovakia and Poland," said Lew Cramer, assistant vice president of federal relations for US West, one of the seven Regional Bell companies.

Restrictions were also eased on cellular and digital microwave equipment exported to the Soviet Union.

COCOM export policy to East European countries such as Hungary, Czechoslovakia and Poland is the most liberal. The stiffest restrictions apply to the Soviet Union.

ANALYSTS estimate that combined telecommunications investment going to Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, the Soviet Union and Yugoslavia is expected to total \$17 billion annually from now until the year 2000.

"We hope that as progress is made in the Soviet Union and Eastern Europe toward a market-oriented government policy, we will see a corresponding translation to more liberal COCOM policy," said Eric Nelson, director of international affairs for the U.S. Telecommunication Industry Association.

A major challenge for companies attempting to set up shop in Eastern Europe has been establishing telecommunications. While it is possible to get telephone service, it is not easy and the wait can take months or years.

"Businessmen discover that the lines of authority are unclear, the level of service they end up with is inferior to what they're accustomed to and it's expensive," said S. Blake Swensrud, president

of International Technology Consulting Inc. in Washington.

NOT only are the number of allotted office telephone lines restricted to two or three, but also the type of service is limited. Basic telephone features such as the ability to transfer calls, put a call on hold, or route calls are uncommon.

Telephone lines are often of poor quality and disconnections are common, affecting both voice and data transmissions.

Access to international lines is abysmal, although, reportedly, improving in Hungary, Poland and Czechoslovakia, where international circuit capacity has increased substantially over the past year.

In Hungary, for example, where Schwinn Bicycle Co. is engaged in a manufacturing joint venture, Richard Schwinn, vice president of manufacturing and product development, noted that the phone system often does not work, connections

Restrictions have already been eased on cellular and digital microwave equipment exported to the Soviet Union.

are terrible and placing a call to the United States can take two or three hours or more.

"The systems are hard to work with, certainly not comparable to the institutions that we take for granted," he said.

The recent and expanding availability of cellular telephones as a supplementary service has proven to be a godsend to businesses.

Cellular telephones provide business users with immediate telephone access. In Hungary, US West has been operating a cellular telephone service since October 1990. After 10 months of operation the company has acquired 5,000 subscribers, including Schwinn Bicycle.

"The success of the mobile telephone services has been enormous," said Thomas Herbst, a partner of Andersen Consulting in Frankfurt.

"It isn't long before the basic networks reach their capacity and have to be expanded. During the implementation process of any business, communication with the rest of the country and the world is vital."

While cellular service provides a short-term solution to business telephone needs, U.S. and West European vendors are working with local telephone companies and equipment manufacturers to install a digital overlay network among major cities in Eastern Europe and the Soviet Union.

In a part of the world where all kinds of telecommunications equipment is desperately needed — switches, transmission facilities, copper, fiber-optic cable — and a flood of contracts are up for bid, analysts say that the relaxation of computer and telecommunications export restrictions to Eastern Europe and the Soviet Union will serve to strengthen the position of multinational corporations and encourage further democratic reforms.

LYNN HABER is a free-lance journalist based in Boston who writes on business and technology.

The East European Challenge

Continued from page 11

aim of socialism, its achievement was frustrated by political and economic barriers erected ostensibly to protect the national economy from Western imperialism. Funds were not available to import foreign goods, protectionism limited access to goods and services, including telecommunications. In consequence, the gap between the socialist and market economies widened. A telephone penetration rate of 13 per 100 is the Soviet people's inheritance.

SINCE the revolutions of 1989, efforts have been made to remedy the situation. Governments in Central and Eastern Europe recognize the vital role telecommunications play in market economies and accept that attempts to integrate their economies with Western Europe will be of no avail unless the telecommunications sector is rapidly improved.

Each country has set its plans. Hungary deserves credit for leading the way. Early in 1990, three independent companies — postal service, telecommunications and broadcasting — replaced the posts and telegraph authority. Progressive privatization of the telecommunications company is envisaged.

Even before the most recent upheaval, *perestroika* and *glasnost* had stimulated ambitious plans in the Soviet Union. The program for the telecommunications sector has four main elements: transition to a digital network over 15 years (this would entail increasing penetration to 30-35 telephones per 100); fiber-optic trunk lines connecting the major cities, including a 14,000-kilometer (8,688-mile) line from Europe to Vladivostok and Japan; further development of satellite systems, both geostationary and orbital, and the development of cellular systems.

These countries face formidable challenges. They need to extend their networks, introduce new technology and adapt to a commercial environment. They need to change legal and regulatory frameworks, raise managerial and technical standards and attract the necessary funds. The financial resources needed to triple telephone penetration in Central and Eastern Europe by the end of the century have been estimated at 100 billion Ecus (\$83.3 billion).

This daunting prospect has to be seen in the context of global response to the events of the past two years. Practical advice and some funds are flowing east from the European Bank for Reconstruction and Development, which has allocated large sums for financing foreign investment together with the private sector.

The Group of Seven most industrialized nations are cautious. They recall that in the past, aid has often created more problems than it has solved. Technical assistance, especially in carrying out reforms, balance of payments support, project finance and other measures to encourage trade are more likely than large-scale injections of cash. Major structural changes in their economies will have to take place before even Poland, Czechoslovakia and Hungary can aspire to membership in the European Community.

Each country has set its plans. Hungary deserves credit for leading the way.

The opportunities in the telecommunications field are more promising than the general picture suggests. The market is large. The population of Central and Eastern Europe is 137 million, or 300 million including the Soviet Union west of the Urals. Gross domestic product in the European Community of \$21,000 per head is predicted to rise to \$40,000 by the year 2000; equivalent figures for the East are \$7,200 and \$20,000-\$30,000. The number of new lines needed to bring telephone penetration up to the OECD average has been estimated at 100 million.

OPTIMISTIC assessments of the potential market, the determination of the government, the high priority, encouragement to foreign investors, including the ability to repatriate profits, have persuaded several Western corporations to pursue business opportunities in Poland, Czechoslovakia and Hungary with vigor. These include the

supply of public-network equipment, cellular and satellite-related systems.

However, telecommunications networks in Eastern Europe will not be transformed overnight. The European Community should not, meanwhile, be distracted from the task of creating a more extensive, more open and more dynamic telecommunications market. Nor should the Community slacken its efforts to secure the gains for trade in services, including telecommunications, which will follow successful completion of the present GATT round.

THE potential losers are developing countries. Over the next decade or more they will be competing for Western finance, technology and management expertise with seemingly more attractive customers in Eastern and Central Europe. The Gulf war illustrated vividly certain aspects of the emerging new world order. The UN Security Council acted as decisively as the signatories of the Charter intended.

Today, there is only one superpower. The days of playing Washington off against Moscow are over. Democratic principles, which include acceptance of responsibility for one's own actions, are being applied more widely.

Developing countries will have been taking account of these new factors in framing policies for the future.

If developing countries take steps to attract foreign and domestic investment, if they encourage joint ventures and give this sector the same high priority as the Europeans, they need suffer no disadvantage.

Indeed, it is in the interest of the international community that the efforts of developing countries to expand and improve their telecommunications networks should not be impaired by the emergence of a large attractive market in Central and Eastern Europe. An effective global network must be one of the pillars of future prosperity and stability.

SIR DONALD MAITLAND was chairman of the Independent Commission for Worldwide Telecommunications Development in 1983-1985, and deputy chairman of the Independent Broadcasting Authority, London, 1986-1989.



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Telecommunications I / A Special Report

Flow Sorting Out the Standards
As Fall Many New Agencies Seek Coordination

By Jacques Neher

PARIS — Like the industry it serves, the global telecommunications standards-making establishment is undergoing a revolution of its own.

The worldwide liberalization of telecommunications has led to an explosion of standards-making bodies, and experts say that sorting out their work and coordinating their efforts has become a major challenge.

In addition, an increasing number of people are getting involved in the process, adding cultural and national dimensions to the debate. This makes it more difficult for the engineers, bureaucrats, and politicians, corporate strategists, and marketing experts involved in the process to reach accord.

Complicating the process is the rapid pace of technological change, which places greater time constraints on the standards bodies and is prompting industry to take matters into its own hands. Rather than lose opportunities to develop and market new products because standards for that particular function are not being agreed on by the bodies, ad-hoc industry groups are forming, particularly in the United States, to settle the issues themselves.

Standards are necessary so that a new telecommunications technology is introduced, managed, and maintained in a consistent manner. Without standards, value-added services and consumers can be assured that the new products and services will function together in a system, and that this system will be able to communicate with similar systems elsewhere.

After 10 months, the standards establishment has become an alphabet soup of organizations. In addition to long-established groups like CCITT (now the International Telecommunications Union, or ITU) and the International Telecommunications Consultative Committee (ITU-T), the telecommunications standards body is being expanded to include the Geneva-based International Telecommunications Union (ITU), and the ISO (the International Organization for Standardization), there are several other groups.

Working with ETSI, or European Telecommunications Standards Institute, is the European Telecommunications Standards Institute (ETSI), which is working on a standard for a mobile telephone network in Europe and the EC Commission. Its major initial task was to provide a standard for the mobile telephone network.

There are all kinds of other groups, such as the International Telecommunications Union (ITU), the ISO (the International Organization for Standardization), and the EC Commission. Its major initial task was to provide a standard for the mobile telephone network.

However, telecommunications in Eastern Europe are being transformed into a market economy, and the standards-making process is being reorganized.

ARIS — Technology not being what it was in the last century, the organization responsible for creating a new set of global standards for telecommunications has initiated far-reaching changes designed to make the standards-making process more responsive and effective. The changes include:

The Geneva-based International Telecommunications Union, which was founded in 1865 and has been a specialized agency of the United Nations since 1947, has been reorganized to implement some of the recommendations submitted to it by the World Telecommunications Conference in 1988.

The process was largely initiated by Pekka Tarjanne, a former telecommunications minister in Finland who took over as secretary-general of the ITU in 1989.

The truth is that even after we became a member of the United Nations family in the late 1940s, we were very much behind the times. We had essentially the same structure and working methods as the old ITU. We were too cumbersome, too slow and did not reflect the changes that were taking place in the telecommunications industry.

Mr. Tarjanne, recognizing that the ITU does not have the time and resources to solve every standards question posed by a quickly evolving industry, wants to take a much more aggressive role in setting priorities on the issues that it will tackle, while leaving the others to regional standards groups or the industry to iron out.

Earlier, there was the possibility to standardize everything that anybody thought would be interesting to standardize," he said. "Now there is no time to do that. One has to prioritize and standardize what is really important to standardize."

Similar specialized national and industry standards groups have been established in South Korea, Australia and Canada.

"Standards making was a very simple activity 10 years ago," said Tony Rutkowski, counsel to the secretary-general of the ITU. "A very simple architecture that was basically an ITU-CCITT blob in the middle with a couple of PTTs and AT&Ts hung off of it now suddenly looks like the night sky"

The technology is changing faster than the system's ability to cope.

In terms of the number of organizations, the ITU secretary-general, Pekka Tarjanne, said the mushrooming of regional standards organizations has been a useful development overall.

In the past, when standards were needed, 164 countries came together without regional preparations," Mr. Tarjanne said. "It was a very time-consuming mess. But in the past, there also was more time and more patience. Now, with the fast developments, it's only natural and positive that regional standards-making organizations come up and do their part of the work in preparation for global standards where needed."

Despite the work done by the new organizations, however, the ITU has only seen its workload grow, an indication that the technology is changing faster than the standards-making establishment's ability to cope.

"It's turned into a big, costly, enormously complex process," said Mr. Rutkowski. Some estimates, he said, suggest that the standards establishment consumes several hundred million dollars a year in salaries, travel, paperwork and lost time for private-sector engineers who must attend the countless meetings required to forge new standards.

To bring some order to the process, the thousands of people who decide how telecommunications systems around the world talk to each other are beginning to talk to each other, too.

In September, officials of four major standards organizations — CCITT, TTC, ETSI and T-1 — met in Nice for their second annual "standards summit meeting," where they discussed how to coordinate their efforts and communicate electronically in order to share their plans and standards.

Also discussed at the meeting was how to create greater transparency in the standards-making process, so the standards bodies can become more open throughout the world to manufacturers and potential service providers.

There's ample demonstration over the years of how standards

can constitute a barrier to trade barriers," said Mr. Rutkowski.

A notable achievement of the meeting, insiders said, was a decision to open future meetings to all standards organizations. This was a recognition that other groups, such as the ISO, which groups all national general standards organizations, have an important role to play, even if telecommunications is not their only activity.

However, the meeting left one big question unresolved: How to cut out the redundancies and inefficiencies that arise when more than one organization is free to, and often does, tackle the same standards issue? A central coordination has been suggested that would hand off issues to the organization that might be particularly suited for them because of its experience or personnel.

Built-in jealousies among the organizations have prevented that idea from going very far, although experts say such a rationalized approach will likely be the outcome of future standards meetings.

Currently, for major telecommunications issues of global character, organizations such as the CCITT, which groups all the public carriers, are given the task of defining the skeleton of a global standard, leaving it to regional or national groups to fill in options for their local systems.

"This works," said Mr. Rutkowski, "but it takes a lot of time, and time, given the dynamics of this field in terms of markets and technology, is something that does not exist."

Faxmanship, or the Art of Papering Your Office

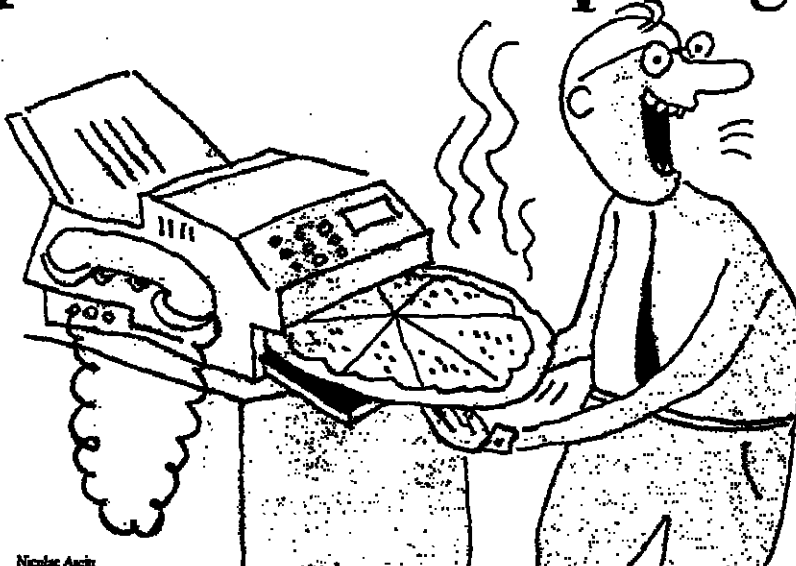
By Roger Collis

ANTIBES, France — There's no denying that the fax has changed the face of communications, especially for those who always wanted to be part of the microprocessing revolution but were shy of using a keyboard. Suddenly, anybody — even senior managers — could scribble a few words on a piece of paper and whack it across a continent or two simply by, well, picking up the phone. They even have three-dimensional faxes so you can send plans of equipment and whatnot. Any time now they will be able to fax you a pizza.

But let's not get too carried away. The sober truth is that the ubiquitous fax is a retrograde step on our way to the paperless office. While the fax makes use of the latest technology in digitalized fiber-optic networks, it is intrinsically low tech: Face it, the fax starts and ends with paper. The fax is simply the most efficient way of moving paper from one office to another.

It was a beguiling scenario. You would start the day by logging into your own electronic mailbox from home with your Banana PC, note incoming messages, and tap out responses during breakfast. At your office workstation you would send out documents to other visual displays anywhere in the world. Your telephone would be a mail system allowing you to store and edit natural voice messages. You would hold teleconferences with people all over the world — some of whom might be telecommuting from home. Whenever you needed data, you would simply call up the electronic filing system on the screen.

The idea was that all information systems would stay inside the computer system," says a newspaper editor. "But lo and behold, a couple of years ago everybody discovered the fax, which put us back to



Nicolas Anthe

square one because when the stuff comes in, it has to be typed into our system. So you need a typing pool. But in the meantime, newspaper managements fired their typists because they didn't think they would need them anymore. Now we need them more than we ever did."

What's more, at least half of the faxes are dirty and unreadable. At least in the old days, you got a fairly legible typescript that you could type in.

But even an unreadable or dirty fax is better than nothing: You know at least that somebody is trying to fax you. A major problem with faxes is never knowing if they have arrived. I spend a lot of time fruitlessly faxing a machine that has either broken or run out of paper. The best approach is to scatter your faxes to several numbers in the hope that at least one will have been well received. The question, "Did you get my fax?" is far from being rhetorical. It usually elicits a slight pause followed by the com-

mon words, "Look, let me give you another number."

This reminds me of my first office about a hundred years ago when we sent letters by airmail with a confirmatory copy by seamount. ("I'll send you a fax confirming my fax.")

The fax had achieved critical mass when people stopped asking whether you had one. Nowadays, asking for a fax number is as commonplace as asking for someone's phone number. People are aggrieved if you haven't got a fax in your place. Which I haven't. The way I handle this is either to make out that I'm unlisted or permanently out of paper. ("Don't fax me, I'll fax you.") Another ploy is to ask if you can send the stuff directly to the computer. Should they call your bluff, tell them you have a sick modem.

"Fax now, think later," is a specious watchword, responsible for heaven knows

how many zillion acres of gratuitous junk. The telex (remember the telex?) rarely became such a paper tiger because somebody had to type the stuff into the machine. So a telex was mercifully short, if not always to the point. In the hands of an expert, the telex became an art form — brevity was brought to the very edge of ambiguity. My favorite is Cary Grant's apocryphal response to the agent who called: "HOW OLD CARY GRANT?" "OLD CARY GRANT FINE STOP. HOW YOU?"

And there is nothing now to compare with the frisson of getting back to your hotel after a hard day in the field to find the following telex: "CHARLES REQUIRES YOU BRIEF ME 9:30 A.M. YOUR TIME TOMORROW ... GARBLED, GARBLED ... YOUR MARKETS. REGARDS GREENWALD."

You can even telex into a computer at the other end. Which you can't do with the fax. Yes, I do know about scanners, which are supposed to be able to "read" hard copy into the computer. So why is it that editors always ask for a clean typescript, not a fax, please. Welcome back to the Stone Age.

But the great fallacy with the fax is to assume that it is desirable just because it is possible. The system has become more important than the quality of what is communicated — a medium without a message. "I fax, therefore I am: I am, therefore I fax."

Each fax should carry a "best read before" date as faxes have a nasty way of self-destructing after a few months. I was going through one of my files in search of something important for this story, when I came across a letterhead squinting above a faded sheet. Perhaps it wasn't important anyway. Hence the immortal adage: "I've made up my mind, don't confuse me with the fax."

ROGER COLLIS writes the *International Herald Tribune's* *Frequent Traveler* column.

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How a UN Institution
Racing to Keep Up

PARIS — Technology not being what it was in the last century, the organization responsible for creating a new set of global standards for telecommunications has initiated far-reaching changes designed to make the standards-making process more responsive and effective. The changes include:

The Geneva-based International Telecommunications Union, which was founded in 1865 and has been a specialized agency of the United Nations since 1947, has been reorganized to implement some of the recommendations submitted to it by the World Telecommunications Conference in 1988.

The process was largely initiated by Pekka Tarjanne, a former telecommunications minister in Finland who took over as secretary-general of the ITU in 1989.

The truth is that even after we became a member of the United Nations family in the late 1940s, we were very much behind the times. We had essentially the same structure and working methods as the old ITU. We were too cumbersome, too slow and did not reflect the changes that were taking place in the telecommunications industry.

Mr. Tarjanne, recognizing that the ITU does not have the time and resources to solve every standards question posed by a quickly evolving industry, wants to take a much more aggressive role in setting priorities on the issues that it will tackle, while leaving the others to regional standards groups or the industry to iron out.

Earlier, there was the possibility to standardize everything that anybody thought would be interesting to standardize," he said. "Now there is no time to do that. One has to prioritize and standardize what is really important to standardize."

Pekka Tarjanne of ITU.

erations in the field, where it works to assist member countries in developing their telecommunications infrastructures through its Telecommunications Development Bureau.

"In the development sector, the work was traditionally done 100 percent centrally from Geneva," Mr. Tarjanne said. "We've now decided to strengthen our presence in the field and use telecommunications in our own work so experts and administrators can come on line, in real time, and be in touch with our data bases here."

The ITU employs 850 people in Geneva and a few dozen in the field, not counting several hundred temporary workers for specific projects. It has a budget of 120 million Swiss francs (\$85 million) from funds provided on a voluntary basis by its member countries.

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Jacques Neher

7 Baby Bells Gamble On Information Boom

Court Ruling Opens Up New Market

By John Burgess

WASHINGTON — For years, the United States' seven regional telephone companies met rejection in the court of Harold H. Greene, the judge who oversees the court agreement that broke up the Bell Telephone System in 1984. Again and again, he dismissed their arguments that line-of-business restrictions imposed on them by the agreement were outmoded and should be abandoned.

But on July 25, their persistence finally paid off. Under pressure from a higher court, Judge Greene issued a ruling that could fundamentally alter the course of telecommunications in the United States. He tentatively gave the huge companies permission to enter all corners of the fast-growing, multibillion-dollar market for on-line computer services.

The controversial ruling marks their first real victory in seven years of jousting that was both judicial and political — their courtroom pleas were often backed by well-financed appeals to Congress and the American public. Now the regionals are scratching their heads over how to apply this new-found freedom.

The companies contend that their entry will give the information services industry the critical mass that it has lacked up to now. They are large (annual revenues total more than \$65 billion), they have credibility with the public and they provide about 75 percent of all local phone lines in the United States.

"The residential and small and medium-sized business portions of the market will be addressed with much better attention," said Ron Stowe, a vice president at Pacific Telesis, a regional that is headquartered in San Francisco. "We already have contact with these customers."

Their entry will help bring on a day, they and their supporters say, when telephone lines in the United States routinely deliver a torrent of electronic information as well as talk. People at homes and offices coast-to-coast may routinely use computers to shop, check stock prices, research homework or send letters.

Pacific Telesis lobbyists, doing the rounds in the Congress, have been showing a video depicting their vision of the telecommunications future — a family using a hybrid telephone-TV-computer for tasks ranging from booking an airline seat to viewing from home a daughter's newborn baby at the hospital.

Having rights to provide information, the companies say, will give them incentive to upgrade their network so that high-capacity fiber-optic cables come right into homes and offices. This would help to raise the American standard of living, they say, and ultimately hone the country's economic competitiveness.

Skeptics, who include consumer groups and industry analysts, are not so sure this explosion will ever happen. There is no evidence, they say, that the typical consumer really wants

such services or that the regionals' presence in the market will make much difference. But now the speculation may be about to end.

The business is known in the United States as information services. It involves any type of data that can be sent or received over lines using a computer. It includes "audio-text" services, in which people dial electronic data bases using ordinary telephones, then punch in numbers on the phones' keypads to get specific recorded audio information or leave messages.

Cable television was not affected by Judge Greene's decision and by law remains off-limits to the regional companies.

Business by U.S.-based information services companies has already grown to \$9 billion in revenues in 1990, according to IDP Report, a Wilton, Connecticut, trade publication. But for now, most customers are companies, universities and government agencies, not consumers.

ESPIE a decade of often aggressive marketing by companies such as the newspaper firm Knight-Ridder and Prodigy Services Co., a Sears Roebuck-BM joint venture, the services have signed up only about 2.7 million residential customers, or about 3 percent of the country's households, according to Information and Interactive Services Report, a Washington, D.C., trade publication.

At present, the rules of the game in the United States, codified in the Bell System breakup agreement, are firm. The seven regionals may convey other people's information over their phone lines, but they cannot provide information. On that distinction turns billions of dollars, because the big revenue is in selling information, not transporting it.

This was intended to prevent the regionals from using their control over the pipe to the customer — the telephone line — to squelch competition. If they could not provide information, the logic went, they would have no incentive to discriminate against anyone.

Almost from the start, phone companies contested this. More and more, they said, they do not control the pipe — data can arrive via satellite dishes, cable TV, radio waves and alternative local telephone networks that serve business customers in large cities. Moreover, they argued, regulators have sufficient clout to keep the companies honest.

Seven new large competitors in a marketplace that already has a lot of large competitors is how the new scene is viewed by Matthew Stover, public affairs vice president at New York-based regional Nynex Corp.

How big an impact will the regionals' entry have?

There is first the unanswered question of whether a mass market can be created at all. Most of the current services are business-oriented in part because of their high price — customers may pay \$200 per hour on-line — and difficulty of use. Even without those draw-



Judge Harold H. Greene

backs, no one is sure whether, for instance, Americans by the millions want to shop by computer. They might always prefer the fresh air and human contact that buying things the old way brings.

The regionals have pointed to France's Minitel data system, which now has about six million customers, as proof that there is a mass market, and that the United States is falling behind in a critical field.

One inconvenient detail, from the regionals' point of view: With the exception of on-line phone directories, France's national phone company, France Telecom, is not an information provider. It moves information, sets standards and provides terminals but the information comes from close to 16,000 data bases operated by third parties.

Meanwhile, the legal battle must be completed. Already the opponents of the phone companies are mobilizing to overturn it on appeal.

Among them is the powerful American Newspaper Publishers Association, some of whose members have entered the information services field. In a statement announcing an appeal, the association president, Cathleen Black, said its purpose was to "protect consumers by preventing the [regional companies] from providing information services over telephone lines they totally control as regional monopolies."

Also high on the list of opponents of the ruling is the judge who made it, Judge Greene, carried out his about-face only on direction from an appeals court, which had concluded that he used an incorrect standard in an earlier ruling. In his July 25 decision, he took some final shots at the companies:

"The most probable consequence of such entry by the regional companies into the sensitive information services market," he wrote, "will be the elimination of competition from that market and the concentration of the sources of information of the American people in just a few dominant, collaborative conglomerates, with the captive local telephone monopolies as their base."

JOHN BURGESS writes on business and technology for The Washington Post.

Divestiture Part II Looms in U.S.

Small Access Carriers Challenging Local Bell Monopolies

By Sanford Bingham

NEW YORK — The stage is now set for a second upheaval in the U.S. telecommunications industry, as new competitors stalk the local monopolies of the Regional Bell Operating Companies and regulators search for a way to finish the process begun with the breakup of AT&T.

The changes this time will not be as dramatic as the 1984 divestiture of American Telephone and Telegraph, which capped an epic 10-year antitrust battle, but they will accomplish many of the same ends, will happen for much the same reasons, and will have a similarly profound effect on the pricing and availability of phone services, industry sources and analysts say.

This second divestiture process is being pushed along by a fractious group of start-up companies, known generically as local access carriers, which now operate in 27 U.S. cities and are expected to be active in 50 cities by the end of 1993. Jointly and severally, these companies are demanding that the Bell companies give them the same sort of interconnection arrangements that MCI a decade ago demanded from AT&T, ending that company's monopoly.

Unlike MCI, which wanted to offer long-distance services, the access carriers are offering an alternative form of "local access" — the connection from a customer's premises to a long-distance company's switch, or from one such switch to another. Local access charges paid to the Bell companies are the single largest expense incurred by long-distance phone companies, eating up about 47 percent of revenues. Hence, "the growth of access carriers is being encouraged, if not orchestrated, by the long-distance companies," said Joel D. Gross, vice president of Donaldson, Lufkin & Jenrette Securities Corp. in New York.

THE long-distance companies claim to be seeking alternatives to slow-moving, technologically outmoded and expensive Bell company networks. The Bell companies have "fallen sorely behind," according to Bert Roberts Jr., president of MCI Communications Corp., in Washington. "They show a lack of focus on the basic business. Either the Bell companies will shape up or we will have to work directly with the access carriers," he said.

At stake is part of the \$75 billion local exchange business, a market now controlled almost exclusively by the seven Regional Bell companies and GTE, who together earn about \$35 billion from "switched" local exchange services, another \$25 billion from "dedicated" local access charges of which some \$5 billion is from "special" access of the sort now

being offered by access carriers. The access carriers are currently kept from offering the more lucrative switched services by a variety of legal and regulatory barriers.

But many of these restrictions are being reconsidered or rescinded. A group of state regulatory commissions, including those in New York, Massachusetts, Illinois and California, have mandated the interconnection of access carrier facilities with those of the local Bell company, a process that will allow the access carriers to deploy a ubiquitous network without having to duplicate the local phone company, according to Robert Atkinson, senior vice president of the access carrier Teleport Communications Group in New York.

In addition, the Federal Com-

missioner's local monopoly. In 1985, the FCC granted a pair of licenses for cellular service in every city in the United States, thereby creating limited competition to the local Bell company — one license in every city was automatically given to the local Bell company — and is currently issuing numerous "experimental" licenses for a type of wireless, microcellular telephone service known as Personal Communications Networks (PCNs).

These latter licenses, which are being snapped up by entrepreneurs, by cellular telephone franchisees, by cable television companies, and by the Bells themselves, will allow low-cost entry into the local telephone market. They are being treated by the FCC and regulators as a field-leveling, pro-

ing, as AT&T did in 1981, that the local exchange business is a rotten business. By the year 2000 there will be spin-off local exchange companies flying the Bell logo that provide only local phone service and Yellow Pages," said Jerry Lucas, president of consultancy TeleStrategies, in McLean, Virginia.

AS FOR international diversification, the Bell companies now own all or part of telephone companies in New Zealand, Mexico and Gibraltar. Three of the Regional Bell companies — Nynex, Pacific Telesis and US West — have formed partnerships with cable television companies and now control access to some five million of the 14 million cable television subscribers in Britain, said Fred Dawson, a cable television analyst of Kinderhook, New York.

Many of these British homes are being offered both cable television and telephone service by the same company as a direct result of the British government's decision, through the Department of Trade and Industry, to implement a highly competitive telecommunications policy. The plan will end the current system of local exchange monopoly and long-distance duopoly and replace it with open competition across all sectors of the market.

Under the policy, which many observers expect to be a model for developments in the United States and elsewhere, customers will be able to choose their long-distance, or "trunk," carriers via equal access arrangements similar to those existing in the United States. Local telephone companies will be allowed to apply for franchises to provide entertainment services, and customers will be offered "local number portability" so that they may change local exchange carriers without having to also change telephone numbers.

This last offering, number portability, has not been implemented in the United States and is, indeed, a major stumbling block placed before any prospective competitor to the Bell companies, said Mr. Atkinson of Teleport Communications.

"Until the customer can march with his own feet from one local telephone company to another, there is no practical possibility of competition," he said.

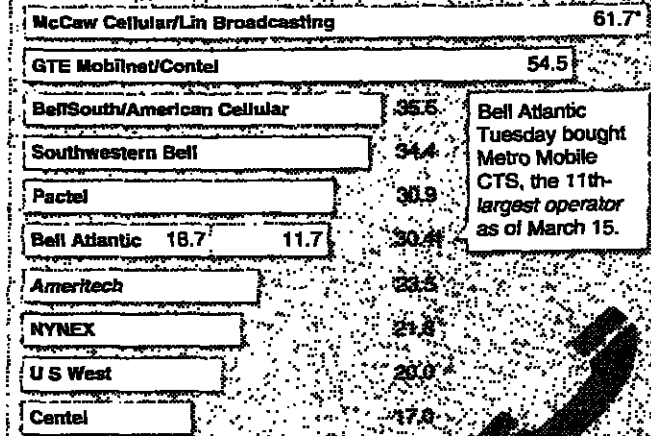
This number portability problem is fundamentally a problem of technology, and will be solved over time by the introduction of new technologies such as the Advanced Intelligent Network, Mr. Atkinson said.

"In the long run, the markets will be unlocked," he said. "You now have an historic convergence of regulation, economics, and technology. The smart companies will realize that competition is feasible, practical, and desirable."

SANFORD BINGHAM is vice president of Magnetic Press Inc., a New York-based communications research and consulting firm.

Moving Up in the Cellular Market

Potential subscribers to the leading U.S. cellular operators, in millions, as of March '91, based on the projections in markets where the operators hold a majority interest.



*Does not include cellular companies operating in non-majority interest markets.
†Potential subscribers equal 50.8 million by June '91.
Source: Cellular Telecommunications Industry Association

The New York Times

munications Commission is considering a proposal to make such arrangements a national policy. If enacted, it would effectively duplicate the commission's 1978 Executive decision, which ordered AT&T to offer network interconnection to MCI. And, if the Bell companies react as intransigently as AT&T did, they, too, may be sued for antitrust violations and forced to divest their local telephone switches. Mr. Atkinson speculated.

Alternatively, the Bell companies can comply with the decisions and allow competition in their local markets. Such competition will, however, be limited in scope and scale by the relative weakness of the access carriers. Selling only a small subset of possible local loop services, the access carriers as a group had revenues of about \$135 million in 1990, compared with Bell company revenues in the same market of about \$5 billion, said Mr. Gross of Donaldson, Lufkin & Jenrette.

However, the access carriers are only one part of the attack on the

competitive tool but are viewed by the Bell companies as one more dispiriting milestone on the migration away from wireline networks, on which the Bell companies currently rely for nearly all of their revenue.

Telephone company planners anticipate that by the beginning of the next century, fully half of all telephone conversations will either originate or terminate over wireless facilities. While in the short term this means that Bell company profits from wireless services will grow rapidly, in the long term it suggests that even if they are able to capture half the market for cellular and wireless services, the Bell companies can expect to lose a quarter of their customers to the newer technologies.

This realization is forcing the Bell companies to consider diversification strategies into international markets, new businesses at home, or some combination thereof. In particular, it is spurring them to ask for removal of the market-entry restrictions left over from divestiture.

Deregulation Is Connecting the World

Continued from page 11

brought on by a re-regulation of the industry; the development of digital cellular phone systems; the introduction of intelligent network facilities, such as call-forwarding, that people will pay extra for; the spread of audio and video-text services, and the trend toward "telecommuting," in which people work from their homes, using computers and phones to communicate with co-workers and carry out business.

Mr. Chadran also said that prices would come down, but not for everybody. Deregulation, he said, is being focused on developing tariffs for value-added services that are cost-based and separated out from other phone company services. As a result, basic phone service costs, subsidized less and less by the business services sector, are likely to rise. The transition, he said, "may not come without a lot of social unrest."

Like the equipment market, the services market is expected to become highly internationalized in the coming years, reflecting the frontierless nature of telecommunications networks themselves. Last month, in fact, British Telecom launched a new unit in Atlanta called Syncordia, which is offering to design and manage worldwide telecommunications networks for American corporations. British Telecom is reportedly talking with Japan's NTT and Germany's Telekom about making Syncordia into a three-way joint venture.

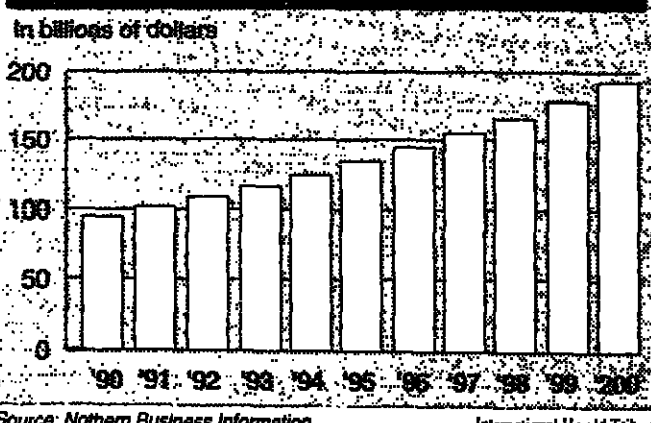
Liberalization in the industry is also being fueled by — and fueling — great strides in technology. These advances are giving telecommunications marketers many new services to offer, such as digital mobile telephones, private networks whose data streams are bounced around by high-powered satellites and small, relatively low-priced antennas; and Integrated Services Digital Networks (ISDN), private digital systems that allow companies to connect their far-flung operations with voice, video and data communications.

In Europe, ISDN is expected to mushroom in the next few years, according to Robin Duke-Woolley,



Northern Telecom's Meridian, "phone on a screen."

World Telecom Equipment Estimated



Source: Northern Business Information

International Herald Tribune

telecommunications analyst with Dataquest in London. He predicted that ISDN subscribers in France will grow from 25,000 currently to 500,000 by 1995. In Germany, he projected that the subscriber base will grow to 350,000 from 19,000 currently, and in Britain, it will grow to 250,000 from 9,000.

However, the greatest excitement in the industry is being focused on broadband ISDN, where the technological advances are riding at a gallop.

"When we talked about ISDN

(600 million bits) per second, and researchers are experimenting at rates up to 10,000 megabits per second.

Such data-flow rates could facilitate services such as color videophone, teleconferencing and cross-country — or intercontinental — communications between, say, design engineers who send moving three-dimensional color computer images.

To facilitate such networks, the big carriers face monumental investment decisions, because the billions of dollars they have already poured into new switching equipment over the past decade, although fine for voice communications and narrowband ISDN, is not up to the demands of broadband ISDN.

"These are bottlenecks that technologically don't need to exist, but that economically are hard to get around," Mr. Chadran said.

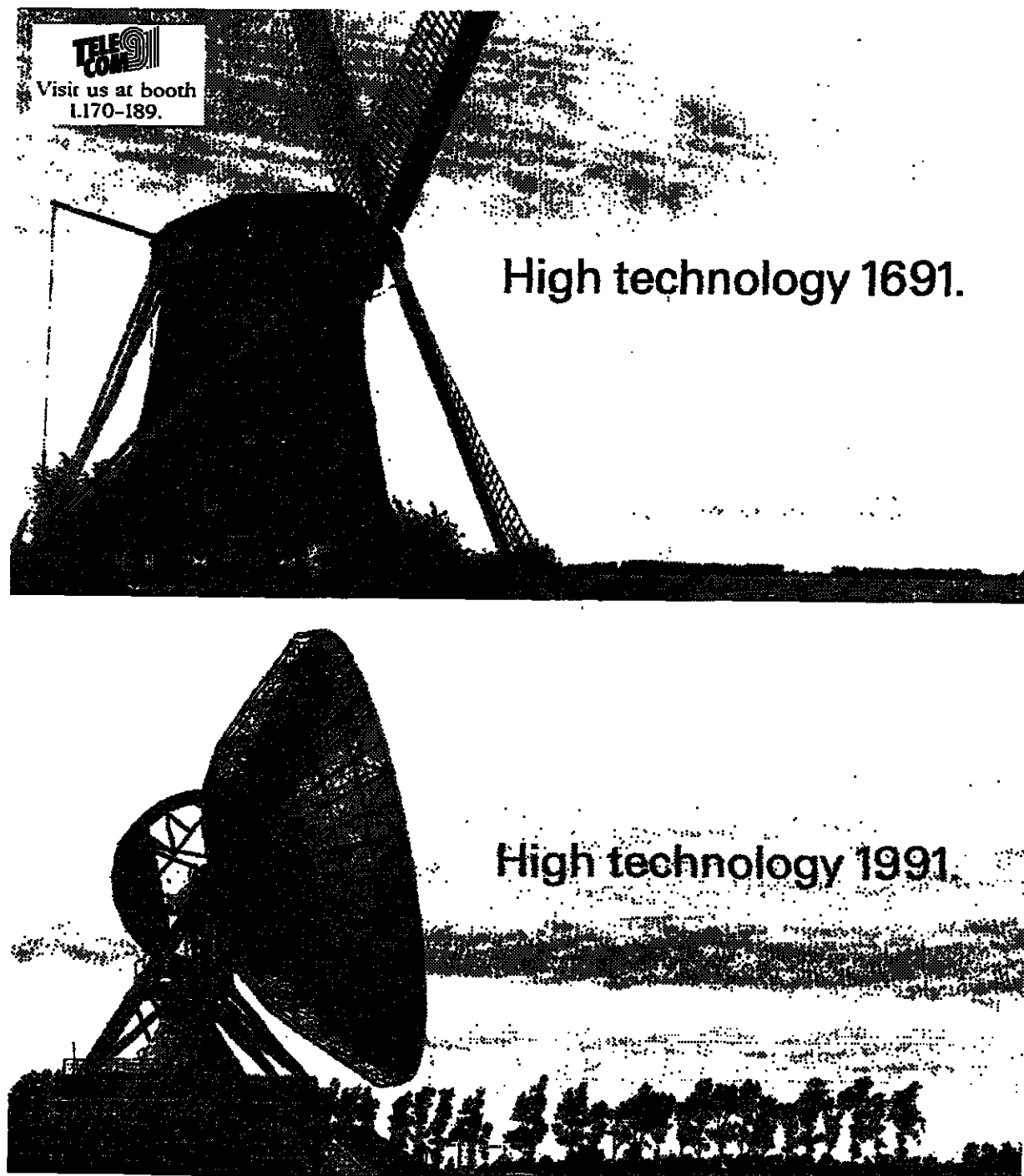
He warned that the big carriers will have little choice but to invest if they want to hold onto their markets. "The demand is sufficient so that if our current lot of carriers can't do it, others will come in and fill that need," he said.

Governments, recognizing the challenge, are also getting involved. France Telecom, the public telephone monopoly, for example, has gone far in replacing its analog switches with digital ones. This has allowed it to establish its Numeris ISDN system.

In Japan, the Nippon Telegraph & Telephone Corp. plans to lay fiber-optic cables to all of its customer base, including homes, within 25 years.

In the United States, Senator Al Gore Jr., Democrat of Tennessee, is spearheading an effort to spend \$2 billion as a catalyst to mobilize much bigger private investments aimed at building an "information superhighway." The expenditure would go toward research on how to interconnect supercomputers. It would also create a "National Research & Education Network," connecting academia, government research facilities and libraries throughout the United States.

JACQUES NEHER is a journalist based in Paris.



Three hundred years ago, we Dutch were already aware of what we could achieve with technology. This awareness has never diminished. Today, we're still developing some of the world's most sophisticated solutions. Solutions in the field of telecommunications, for example. Demonstrated by PTT Telecom Netherlands at Telecom '91 in Geneva. Actual, workable solutions.

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Telecommunications I / A Special Report

Battle of TV Quotas Heats Up in Europe

EC Directive Leaves Few Satisfied

By Matthew Fraser

PARIS — In the past, European soap opera addicts have been hooked on reruns of American series like "Santa Barbara" and "Dallas." But with "Riviera," a 260-episode saga that follows the romantic intrigues within a French perfume dynasty, the Continent can now boast a soap of its own.

But "Riviera," which made its debut in France in July and is now airing in Spain, Greece and Germany, is European in name only. Conceived by a European subsidiary of the big U.S. advertising firm McCann Erickson, the \$45-million soap is directed and supervised by veterans of long-running American soaps such as "The Guiding Light" and "As the World Turns." What's more, the series is shot in English and later dubbed.

"Riviera" has been denounced as a sign of everything that is wrong with the European TV industry. But in the fallout of the television deregulation frenzy of the 1980s, it may well be a sign of what is to come in Europe.

"Television programs are not merchandise like other products," the EC Commission president, Jacques Delors, declared two years ago when the EC, after five years of debate, adopted its broadcasting directive, "Television Without Frontiers," which went into effect last Thursday.

While some interpreted Mr. Delors's statement as a protectionist warning against the invasion of American TV programs, others immediately criticized the directive as a caveat to U.S. commercial interests.

The directive, first drafted in 1984, had originally been designed to create a single European television market, with provisions for copyright payments, commercials per hour, the protection of minors against pornography, and a stiff minimum 60 percent quota on European-made programs.

The copyright issue, with its billion-dollar stakes, proved so difficult that it was removed altogether from the directive's final text. But the quotas proved to be the most controversial question, largely because the U.S. entertainment industry viewed them as a protectionist barrier against Hollywood exports.

After seven years of intense lobbying, the quotas were finally watered down. The EC countries now are obliged only to ensure that national TV networks air a majority of European programs, not restricted to prime time, "by all practical means and wherever possible."

"Each country has a duty of respecting the majority quota," said Jean Dondelinger, the EC's broadcasting commissioner. Mr. Dondelinger admitted, however, that the quotas are not legally binding.

France, with its strong national TV industry, had been the strongest supporter of high European quotas as a way of countering the massive inflow of U.S. programs, often syndicated re-

runs of shows like "Columbo," "Dynasty," "Kojak" and "Gilligan's Island," that have already been amortized on the U.S. market.

Critics say the vaguely worded directive has erected a Maginot Line against U.S. programs, and moreover allows soaps like "Riviera" to qualify as European productions. In early July, close to a thousand of Europe's best-known cinema and TV personalities, including Federico Fellini, Louis Malle, Wim Wenders and Jeanne Moreau, published a petition in major newspapers accusing "Eurocrats" of selling out the Continent's television industry.

"The Americans have an imperialist attitude," said Alain Moreau, a Paris-based film producer who recently wrote a report, commissioned by the French government, on the European TV industry. "They think our market belongs to them. The Japanese dump cars on America, and Americans dump TV programs on Europe."

The EC directive's biggest enemy was the Hollywood lobbyist Jack Valenti, head of the Motion Picture Association of America, who said that any restrictions on American films and TV programs in Europe would be a "step backwards" in the emerging world entertainment industry. Carla Hills, the U.S. trade representative, warned that the proposed quotas would be "catastrophic" for European-American relations and threatened to challenge the EC measure before GATT, the General Agreement on Tariffs and Trade.

"We dropped the quotas because Britain refused to accept them," said Mr. Dondelinger. "Britain opposed them because the Thatcher government wanted to avoid diplomatic problems with the White House."

EUROPE is, indeed, an important market for the U.S. entertainment industry. According to IDATE, a European think tank on broadcasting and telecommunications, more than 65 percent of the United States' total foreign TV sales are in Europe. Of all programs aired on European screens, 57 percent are American. Europe's commercial deficit in film and television has been estimated at more than \$2 billion, \$1.6 billion for television and video alone.

"The Americans have a great advantage when dealing with each European country separately," said Jacques Peskine, head of France's biggest union of television producers (the Union Syndicale de la Production Audiovisuelle). "It's true that most Europeans prefer TV programs made in their own country over American programs. But they also prefer American shows over programs made in other European countries."

For example, France's private commercial network La Cinq has buried the German-made police series "Inspector Derrick" in an unenviable early afternoon time slot while airing "Kojak" reruns in prime time. On the public Antenne 2 network, which likes to consider



Christiane Jean, left, Xavier Deluc and Jane Manson, of "Riviera."

itself the champion of French-made programming, the biggest prime-time hit last season was the American series "McGyver."

Apart from obstacles such as linguistic and cultural differences in Europe, several EC countries say they cannot possibly enforce quotas for strictly economic reasons. Europe does not produce enough programming to fill network schedules, and American shows can be bought cheaply. Indeed, in the past many European networks, notably Italy's private networks owned by Silvio Berlusconi, have preferred to buy cheap packages of dubbed American series than pay roughly 10 times the cost to make original European series.

It was the deregulation contagion of the 1980s that created this situation. With the explosion of cable and satellite TV, many European governments, long used to heavily regulated state TV monopolies, were forced to deregulate to catch up with the technological revolution.

Within only a few years, the number of TV networks in Europe had doubled to more than 60 by the end of the 1980s, creating an enormous demand for programming. Yet, with about 125,000 hours of TV time to fill every year — a figure expected to reach 300,000 hours by 1995 — Europe was only producing 20,000 hours. The powerful U.S. television industry, with an eager and lucrative subsid-

iary market in Europe, was only too happy to fill the program gap.

But Hollywood is no longer taking the European market for granted. Facing declining revenues in the United States because of deregulation and market fragmentation at home, the big U.S. studios are now investing in Europe as opposed to merely unloading their already amortized products on the Continent.

"The Americans are now adopting a strategy of co-production, not only to get around the EC quotas but also because the U.S. market is in turmoil," said André Lange, a broadcasting expert with IDATE.

Also, if a few years ago European networks could not buy enough U.S. prime-time fodder, they are now beginning to snub U.S. series as being too flimsy and irrelevant to European cultural values. The Berlusconi TV group, once the biggest purchaser of U.S. program packages, has reduced its acquisitions from 20 to only about four or five American shows a year.

Hollywood producers say the European market is now being considered when new series are in the conception stage. "Riviera," which has been a critical and commercial disappointment, is one of the first timid steps in that direction.

MATTHEW FRASER is the Paris correspondent for The Montreal Gazette.

Satellite Video Revolution Causes Skirmishes in Asia

By Laurence Zuckerman

HONG KONG — Not long ago, the South Korean government presented a formal request to the Japanese: Would the Japanese please refrain from sending their satellite signals to Korea? It seemed that Korea's easing of restrictions on the ownership of satellite dishes was allowing thousands of Koreans to tune in to television programs broadcast on Japan's commercial satellites.

Korean nationalists decry the broadcasts as "cultural pollution" and hint darkly at sinister Japanese conspiracies to beggar the Korean people both spiritually and economically.

The Japanese reportedly narrowed the range of their satellite signals. But determined Koreans merely started buying larger dishes so that they could continue watching.

"I talk to government bureaucrats who get up in the morning, watch Korean news and then watch Japanese news," said Kaiko Bang, CNN's correspondent in Seoul. "Everybody tells me they like watching it."

Similar skirmishes in Asia's widening video revolution have occurred throughout the region. Taiwan authorities tried to crack down on the island's so-called "fourth channel" of apartment blocks illegally wired to satellite dishes only to see it spring right back up again. And in Singapore, financial institutions won the right to install satellite dishes during the Gulf war so they would not be a step behind competitors in other countries.

"We are part of a worldwide phenomenon here," said Steve Moss, executive vice president of STAR TV, the region's first multichannel satellite-television network. "I don't think anyone can suggest that the clock will be rolled back and there won't be an increasing availability of satellite television."

But while the long-term trend might be on the side of STAR TV and other satellite programs, significant barriers still exist. Asia is a mosaic of languages, cultures and stages of economic development.

"You cannot characterize the Asian television market as a single entity," said Tim Brewer, a regional satellite and cable consultant based in Hong Kong. "Each country has its own peculiarities and politics that have to be dealt with differently."

In the most extreme cases, there is outright xenophobia. Malaysia's information minister recently announced that the country would ban the private use of satellite dishes. In deference to such feelings, Indonesia, which operates the Palapa regional satellite, demands that commercial programmers wishing to use the satellite scramble their signals, which effectively bars the use of the satellite for advertiser-supported services.

For the most part, however, Asian countries are grappling with the same regulatory issues that crop up in Europe and North America: copyright, protectionism, and standards of propriety concerning nudity, violence and advertising.

Australia, for example, protects its domestic entertainment industry by requiring that a cer-

tain percentage of local talent be used in television production.

Hong Kong refuses to allow STAR TV to charge subscription fees or broadcast in Cantonese in the colony because it is planning to award a cable franchise soon.

"If you are manufacturing cars and you want to sell them in 20 countries, you have got to meet different standards," said Ruth Sweetman, a telecommunications specialist with the international law firm of Denton Hall Burpin & Warrens.

But years of state-controlled broadcast monopolies have given most Asian countries very little experience with commercial television. Indonesia has only recently allowed television advertising — the government had been afraid that commercials would unrealistically inflate people's expectations.

"Legislation has not kept up with technology," said David Manion, STAR TV's vice president of distribution. "There is almost no country where the legislation is perfectly clear about what you can and cannot do."

STAR TV is particularly affected because its channels are all advertiser-supported, and as a direct-to-home satellite service it is difficult to regulate. Many analysts believe cable is a more suitable distribution system for Asia because governments can exert more control over what is seen and programmers can also tailor their product to local tastes and regulations.

In the case of STAR TV, Mr. Manion says the network's standards and practices department has collected the guidelines from each of the 38 countries where its signal can be received. Sex and violence will be kept to "acceptable" levels, and there will be limits on the advertising of tobacco and liquor, he said.

Mr. Manion explained that he avoids problems by thoroughly exploring each market and acting sensitively. In Pakistan, for example, he said he avoided arousing Islamic fundamentalists about the advent of MTV by keeping a low profile. The network attempted to target its potential viewers as precisely as possible by advertising on videocassettes and in entertainment and music magazines.

IN the end, Mr. Manion, like other programmers and distributors, merely wants to get a foot in the door. Then it can be left up to the network's audience to pressure their governments to loosen regulations.

"We have to get people used to the technology and show them that it is not a liability but a benefit," said Clay Conrad, director of Asian operations for the international cable operator Millisat.

He and several other industry executives have formed the Cable and Satellite Broadcasting Association of Asia to act as an advocate for the industry's development. "It is going to take a little longer than people thought," Mr. Conrad said. "It's going to take a lot of legwork. We are pioneers out here."

LAURENCE ZUCKERMAN writes regularly for the International Herald Tribune from Hong Kong.

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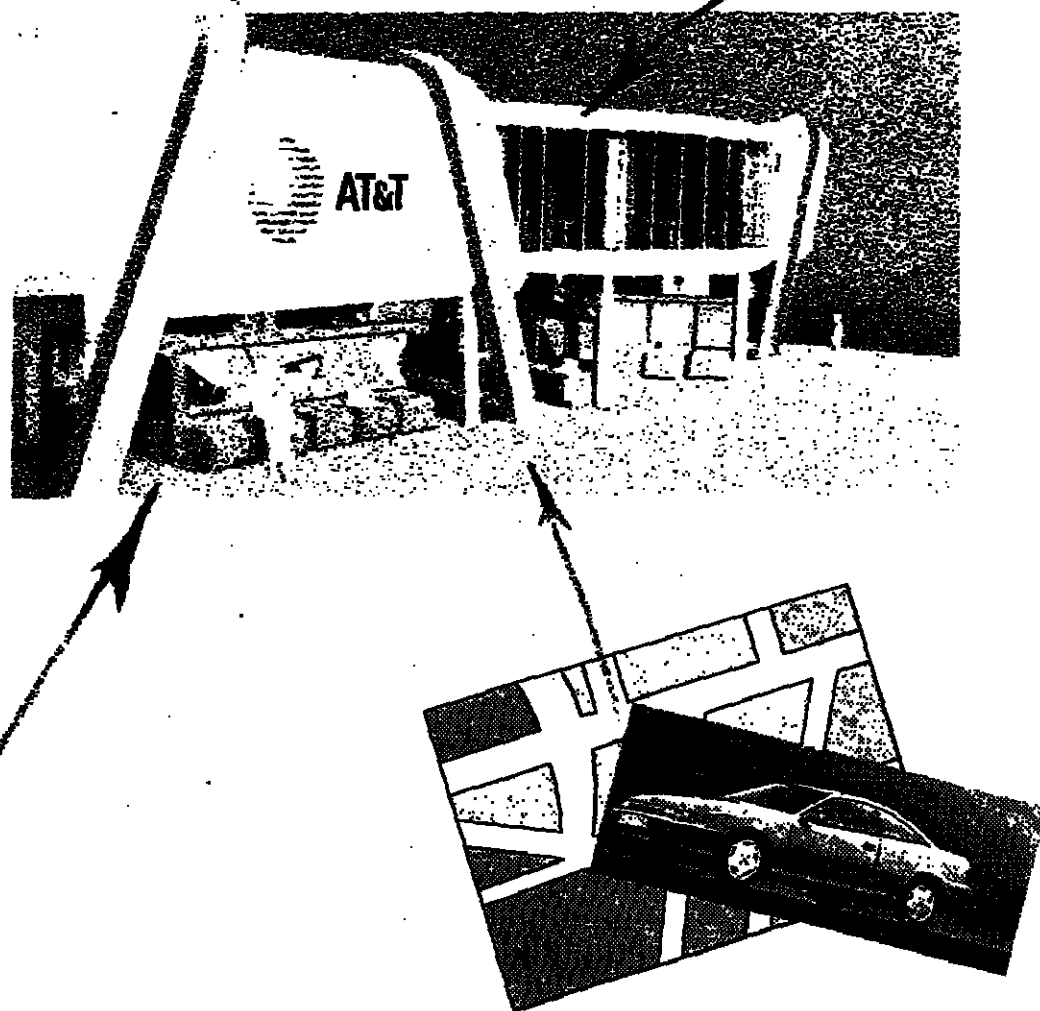
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C&C Computers and Communications

Expanding the Human Potential

Recently, Tadahiro Sekimoto and Russell Schweickart met in Tokyo to discuss major issues concerning international communication and the global environment. The following are some of the highlights of their conversation:

SCHWEICKART: Dr. Sekimoto, I wanted to show you this photograph taken during our mission when I was outside the lunar module. Reflected in my visor is the whole Earth. When you look at the Earth from out there, it penetrates and becomes a part of you. It seems to fill the mind of the human being.

SEKIMOTO: That's amazing.

SCHWEICKART: Yes, and it was a life-changing experience, too. A movie camera had failed and for five minutes I had nothing to do. Yet floating out there for five minutes, I changed more than during the rest of the flight. During those five minutes I literally looked down on the world and realized that I was there really to represent life as it moves out from the Earth. And not only human life, but all of life. That relationship, the understanding that all life on this planet is one, that we are all intertwined to form a single life, that recognition, I think, is what changed my life and my attitude toward life.

SEKIMOTO: You realized then that you were a "Global Citizen."

SCHWEICKART: Yes, that's right. But the words "global citizenship" and "global community" are really too easy. It's the

real relationship that underlies these words which is the key to our future survival on this planet. So that's how my life changed... I became aware of that relationship.

SEKIMOTO: The relationship which you could not perceive when you were standing on the Earth, your relationship with other living beings, plants and animals, all became very clear to you.

"NEC strives through 'C&C' to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential."
— Sekimoto

SCHWEICKART: All of us have had the experience of leaving the small town or village in which we were born and going somewhere else. When we first leave our village, when we first leave our country and look back, we see it differently. It's

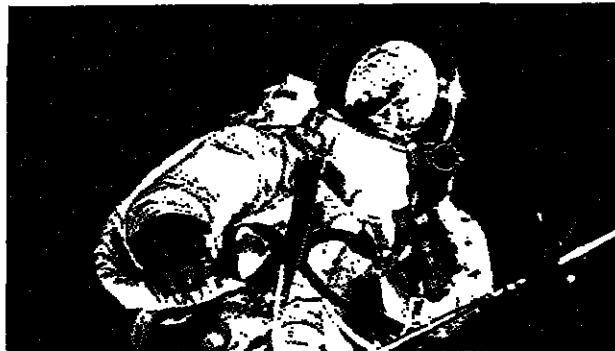
a new perspective. But our relationships to the people, to our family, to the trees in the village, are even more precious to us as a result of this enlarging perspective.

SEKIMOTO: This human family which we have is something that we must pay attention to.

SCHWEICKART: Both of us come from very highly developed nations. But most of the world lives very poorly. As the price of computers and communications comes down, I hope that more people can have access to the power and the benefits of these technologies. By decentralizing and distributing power more around this globe of ours, we can give more individuals the power to shape and determine their lives.

SEKIMOTO: Yes, I agree. At NEC, we believe

that besides the conventional management resources of people, goods and money, which are of course vital to any corporation, there's a fourth equally important management resource, which is information. Its importance goes beyond the management of a corporation. This resource can be utilized to promote people-to-people communication. In order to bring about the kind of decentralization you mention and promote greater sharing of resources, you need information networks. I believe that C&C, the integration of computers and communications, has a major role to play. Moreover, in such a decentralized world, the people need to share some sort of common philosophy or goal. Our company philosophy, for example, is directed at the 21st century. It says, "NEC strives through 'C&C' to help advance societies worldwide toward deepened mutual understanding and the fulfillment of human potential." If you look from outer space, there are no national borders on earth. By working together, perhaps we can learn to transcend them.



Schweickart during the 1969 Apollo 9 mission.

SCHWEICKART: I think this is one of the great questions facing humanity today:

"This is the great challenge of humanity today: how to go beyond the limits of national sovereignty."
— Schweickart

how to go beyond the limits of national sovereignty, beyond the limits of the nation-state. I don't think we have a very good idea of how to go about it. We have a few examples to work with: the open oceans and Antarctica are non-sovereign. And space is a non-sovereign territory, so far. I think it's extremely important that we learn through the governance of these territories how to come together for the common good.

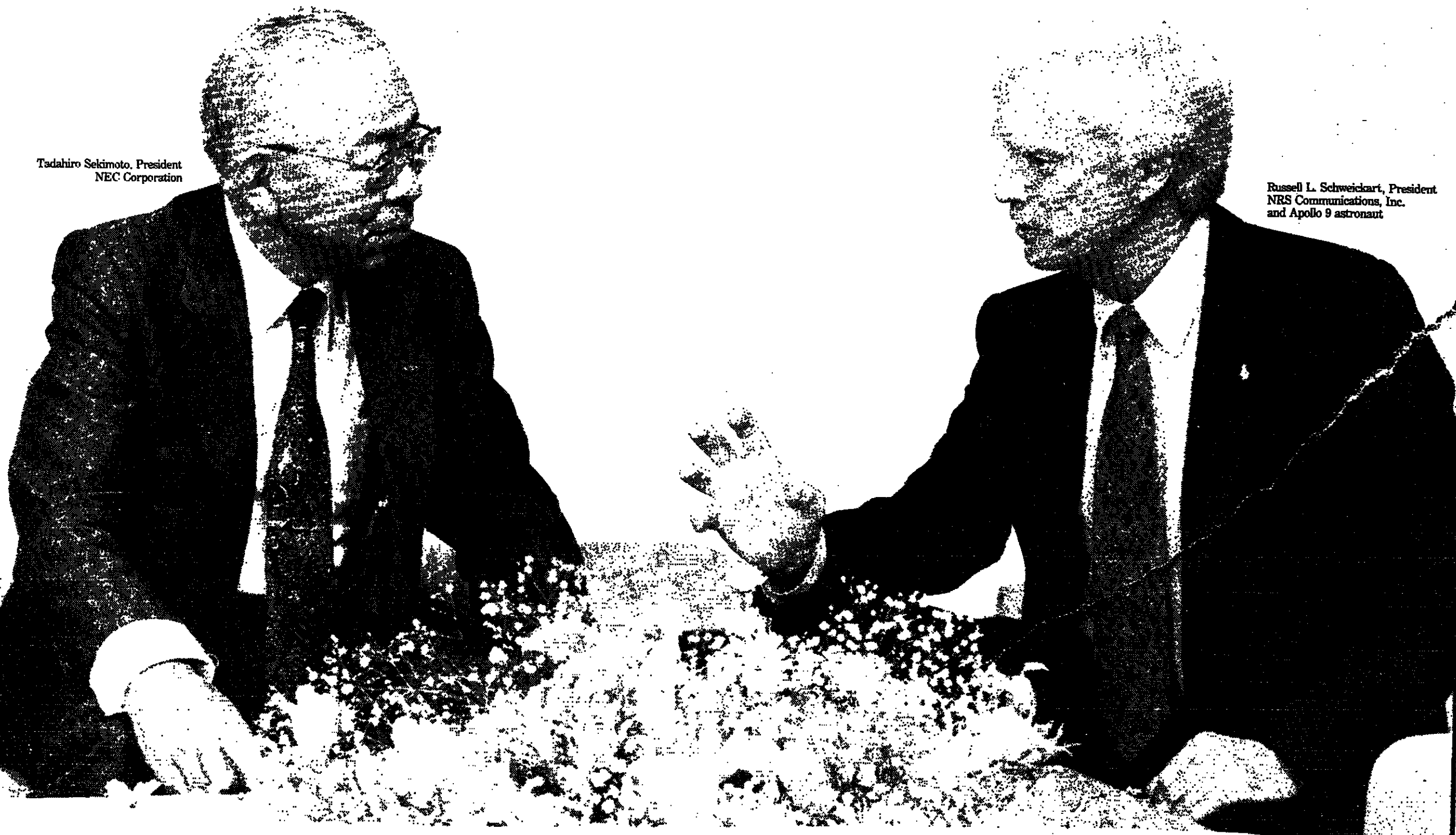
SEKIMOTO: Yes, we must transcend national interests and unite behind what I call a "banner" or "flag", meaning a common objective. Of course, each country has its own historical and cultural identity. But through mutual respect and a little understanding I think we can learn to work together harmoniously.

SCHWEICKART: If we can empower people in the developing world, I believe they will protect the environment. But if they remain powerless, then I fear in our rush to profits, our rush toward diminishing resources, our selfishness, we will destroy the planet. So for me, this issue of empowering people through communications and other tools of this kind is extremely important. This is probably the most important challenge and opportunity we have before us.

SEKIMOTO: I couldn't agree more. As a corporation, NEC will contribute to the future through C&C to preserve and improve the quality of life. We must not fail in making our vision for a borderless planet a reality that all mankind can benefit from.

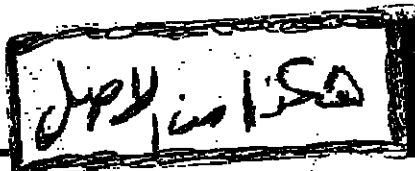
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Telecommunications I / A Special Report

Japan's Firms
Are Betting on
BroadbandHigh-Speed Transmission
For HDTV-Quality Images

By Geoffrey J. Surbeck

TOKYO — The broadband Integrated Services Digital Network (B-ISDN) is considered by many to be the future of telecommunications transmission, and in Japan its development is being aggressively pursued. B-ISDN is 100 to 400 times faster than the existing narrow-band ISDN (N-ISDN) circuitry, and its ability to handle moving picture communications, including high-definition TV, as well as mass data transmissions, is far greater than existing networks.

Nippon Telephone and Telegraph (NTT), Japan's dominant domestic common carrier, last year embarked on B-ISDN development with its "VIA&P" concept, signifying "visual, intelligent, and personal." NTT's size and influence, with 1.7 trillion yen (\$12.77 billion) of total investment in 1990, make VIA&P more than just a corporate slogan. It is a developmental guideline for the Japanese telecommunications industry as a whole, especially as more general electronics manufacturers shift their emphasis to information and communications systems.

Forecasters estimate that by the year 2000, investments in the field of information and telecommunications will represent a third of all Japanese industrial investment, or 100 trillion yen. According to Japan's Economic Planning Agency, at the current pace, B-ISDN switching systems and personal communications equipment will be commercialized by the mid-1990s.

So what's in store for the user when all these investments start paying off? NEC Corp., the largest Japanese communications equipment manufacturer and the world leader in semiconductors, is focusing on the "visual" of VIA&P. One example of B-ISDN use is NEC's MERMAID, the Multimedia Environment for Remote Multi-Attendee Interactive Decision Making. Translation: a teleconferencing system that can simultaneously display text and high-definition TV-quality moving pictures on the same multi-window screen of a personal computer or workstation. Desk-to-desk teleconferencing, interface and inter-company communications, and dozens of various office applications via MERMAID are under experimentation at NEC.

Mitsubishi Electric, the fastest growing among Japan's six leading communications equipment manufacturers, has also been pursuing B-ISDN image-handling systems. Under the product line MELINS (Mitsubishi Electric Integrated Network System), the company has developed both color and monochrome high-definition still-image transmission systems, and a videophone teleconferencing system that it hopes to utilize in its corporate communications networks.

More significantly, NTT has selected Mitsubishi as one of the joint developers of the asynchronous transfer mode (ATM) switching system, a core technology in broadband ISDN. This partnership with NTT has



NEC's multimedia MERMAID system, developed for teleconferencing.

assured Mitsubishi a place in the communications market well into the future.

Japan's largest maker of mainframes, Fujitsu Ltd., is contributing substantially to the technological development of B-ISDN and expects to be a key player in the "intelligent" part of VIA&P. But as a globally oriented company, Fujitsu is seeking to develop equipment and technology for use in both advanced and developing countries.

Via its so-called "one machine concept," Fujitsu wants to be able to handle both the N-ISDN of today and the B-ISDN of tomorrow with one piece of equipment. This idea is unique in the field and should work to the company's advantage as developing countries, whose communications infrastructures vary greatly in quality, look to invest in new systems. NEC is also involved in the "intelligent" of VIA&P as it continues work on a machine translation system. First exhibited in its early stages at Telecom '83 in Geneva, it is still the most advanced in the world, capable of recognizing and translating 5,000 spoken words. NEC expects the system eventually to be able to recognize and translate up to six languages employing its PIVOT system, and is considering this voice-recognition research instrumental in the development of voice-controlled computers. Although its completion is two decades off, this translation system is one of the company's showcase items at the Telecom '91 show in Geneva.

Like other industrial sectors, most new services in the telecommunications industry are first developed to serve business customers. The major investments in research and development will continue to be made in the areas of intra-company communications systems, data transfer devices, and computer communications.

But the personalization of telecommunications, which started with the Gower-Bell telephone more than a hundred years ago (1890), is now proceeding at an unprecedented pace and the Japanese communications equipment manufacturers are naturally playing an active role.

Personalized communications, the "P" of NTT's

VIA&P, is influenced more by radio-wave and satellite technologies than by B-ISDN. NTT's slogan simply confirms that the direction of the industry's equipment is to the individual user.

Like TVs in the 1960s and PCs in the 1980s, wristwatch telephones, portable/mobile facsimiles, and notebook computers are quickly becoming standard consumer items. Developments by companies like Sony and Matsushita (Panasonic) in the area of high-definition TV, and continued progress in still-picture videophones indicate that these products will, in the 1990s, also become standard.

In the not-so-distant future, personal telecommunications will include satellite linkage, portable moving picture telephones, and satellite-assisted car navigation systems. And in Japan, where living space is always a valued commodity, hybrid facsimile/PC/TV/telephones are already being marketed.

The Japanese communications industry has made great strides since the privatization of NTT six years ago. The Telecommunications Business Law and the NTT Law, designed to enhance competition in the field, have done just that. Now, the commercialization of B-ISDN will be the key to success of many telecommunications carriers. In addition, because B-ISDN requires totally different central units, such as the ATM switching system, it represents one of the few opportunities for manufacturers to win new customers and cultivate new markets.

Another bright spot for the Japanese industry is that, with the production of much of its equipment overseas, the trade disputes of the past may cool down.

While most of the basic research and development is still taking place in Japan, product development is being done in laboratories in both Europe and the United States.

GEOFFREY J. SURBECK is the editor of *The Telecom Tribune*, a trade journal that specializes in the Japanese telecommunications industry.

White-Collar Jobs Go Offshore

By John Burgess

WASHINGTON — Raw material arrives from the United States in the Jamaican city of Montego Bay. Local workers turn it into a product that is quickly sent back abroad. Generating foreign exchange and new jobs, the operation is similar to any of the developing world's many export-processing zones. But there is a key difference: The raw material is information and the transportation electronic.

Today, a half-dozen American insurance companies and credit card companies are using the facility, known as Jamaica Digipoint International, for back-office work that was formerly done in the United States.

Insurance claim forms and credit card applications, many of them handwritten, are sent to Jamaica by satellite, as electronic facsimile images. Jamaican keypunch operators look at the images and type the information into computers. It goes back to the United States by satellite, in a form that mainframe computers can read and sort.

First, it was the blue-collar job that went mobile, moving to that spot in the world where it could be done at the lowest cost. Now, international telecommunications is making it possible for white-collar work to be shipped around the globe as well.

For the present, the flow to operations like Digipoint, a joint venture of AT&T, Cable & Wireless and the Jamaican national phone company, is small. But as communications prices continue to fall and developing countries seize on attracting this type of work as a tool of economic progress, many analysts believe that back-office operations will increasingly pay little attention to national borders.

In the United States, the trend was at first domestic. Many keypunch operations and customer service bureaus moved from the high-cost big cities to regions such as the Middle West, where wages and rents were lower. These operations were linked to headquarters and customers by increasingly cheap and flexible long-distance phone and data lines.

LATER, national borders were crossed. At first it was done mainly through air freight, by companies such as on-line data providers. Paper would be flown to a particular country, data from the paper punched into computers by locally hired people, and their work returned by air in the form of magnetic tape.

The next step was to make the return leg electronic. American Airlines was an early adopter, flying its mammoth volume of ticket stubs to a facility on the Caribbean island-state of Barbados for keyboard entry. The company set up a satellite link to get the information back.

Insurance is another industry that has set up shop abroad, with Ireland win-

ning much of the business. New York Life Insurance Co. is among the arrivals there, operating a 47-employee claims-processing center in the tiny town of Castleisland in the country's southwest.

American customers mail claims on medical or dental policies to a post office box near Kennedy International Airport in New York. Aer Lingus flies them across the Atlantic, where Irish claims adjusters analyze the claims, make decisions about whether to pay and how much.

They work at computer terminals that are linked in real time by fiber-optic line to New York Life's mainframe in Clinton, New Jersey. They can call up a particular customer's records in a few seconds or type in commands to the Clinton mainframes instructing it to print and mail out a payment check.

Telemarketing is another industry that is experimenting with the new approach. Digipoint has among its clients a skateboard company that airs TV ads in the United States inviting viewers to dial a toll-free "800" number and place an order. The number rings through to Jamaica, where a locally hired salesperson takes the call.

Highly skilled work can fit into this approach as well. The American elec-

tronic giant Texas Instruments Inc., for instance, maintains an eight-floor facility in Bangalore, India, to develop computer software and design integrated circuits. It employs about 160 Indian technicians.

The company had thought of moving material in and out of the country on magnetic tape. But that would have meant delays at airports, as customs officials puzzled over how to value the tapes.

So, a satellite dish was placed on the roof. Headquarters uses it to communicate with Bangalore about what type of software is needed. The Indians develop it and electronically export it by satellite.

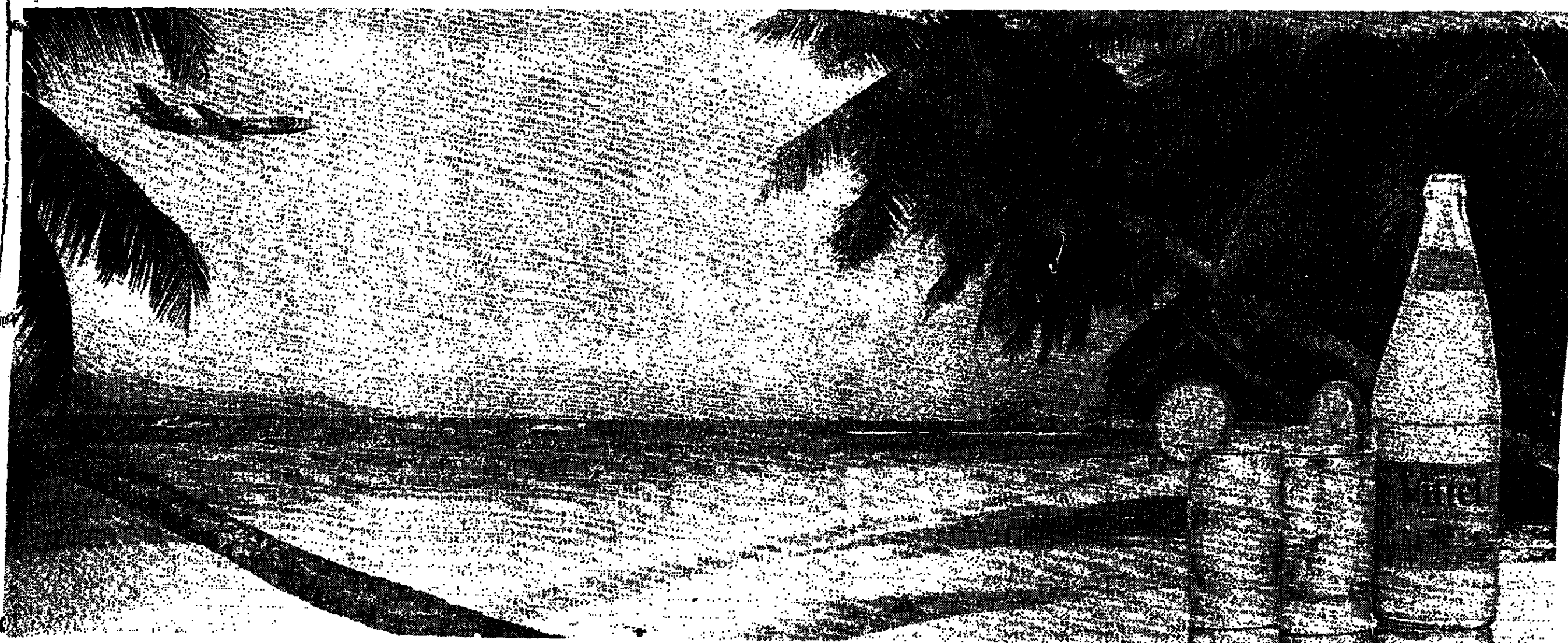
Driving the trend is the fact that as communications costs fall, physical proximity of white-collar workers is less and less relevant. There is less need for a software engineer or claims adjuster to be in the next room from the division boss if there is instant, low-cost phone, fax and data communications.

Lower wages are the most obvious advantage for the companies. Indian software engineers, in line with local market rates, earn as little as one-tenth what their American counterparts do. Even when telecommunications costs and other expenses of setting up abroad are factored in, many companies find that they save money.

Yet, the pluses often outweigh the minuses and many analysts see the trend expanding, if slowly. A possible new field of interest: software development shops set up in the Soviet Union to take advantage of the much-underused talent there.

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Investors Plug Into Phone Sell-Off

By Conrad de Aenlle

PARIS — Governments in the developing world, eager to convert to market economies, are divesting their most prized possessions — their telephone monopolies — and offering them for sale on Western stock exchanges to raise badly needed hard currency and put the phone networks on a path to fast growth.

Investors who bought stock in Telefonos de México, Compania de Telefonos de Chile and others have earned some hard currency, too. Shares in the Chilean system, listed last year on the New York Stock Exchange, are up more than 250 percent so far this year.

Meanwhile, in the four months since the Mexican company began trading on the Big Board, its shares have risen roughly 40 percent. Their price now, in fact, is more than 20 times the level of a few years ago, when Telcel, as it is known on Wall Street, traded over the counter. The Mexican government has fared well in the bargain, too, reaping \$3 billion in Telcel's ongoing privatization.

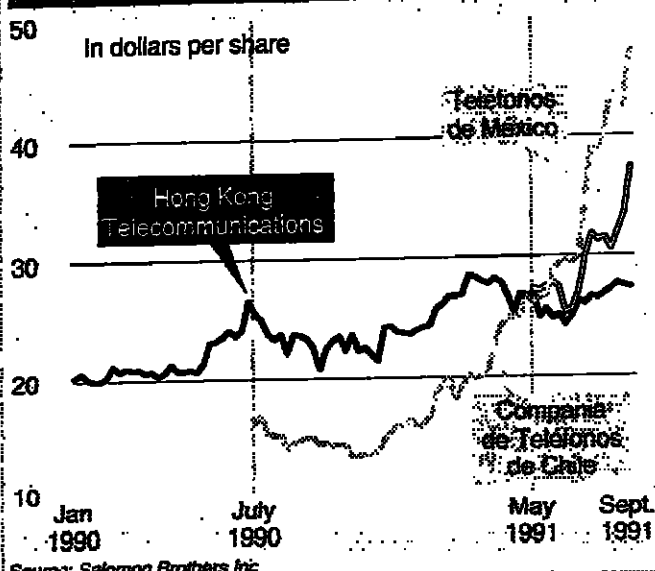
Shares in Philippine Long-Distance Telephone trade on the American Stock Exchange and have nearly doubled this year, while those of Hong Kong Telecommunications, listed on the NYSE, have risen a modest 15 percent, less than the broad market.

The shareholders who have collectively paid billions to own a piece of these phone systems are betting that their transfer into private ownership and profit-oriented management will spawn an epoch of rapid, uninterrupted expansion. That is what the governments that sold the shares are betting on, too, and they are doing all they can to make sure it happens.

"Regulation is much more favorable" in the developing world, noted Joanne Smith, who follows Third World telecommunications for Nomura Research Institute in New York. "The growth potential is probably more than double what you could get in developed countries."

One reason is a buying binge on new equipment. "In Latin America, Mexico especially, they're spending a lot on capital expenditures — digital switches, transmission equipment, etc.," said Philip Townsend, a telecommunications analyst in the London office of the brokerage Bear Stearns. Adding all that hardware enables a phone system to handle a higher volume of calls, and that

Dialing For Dollars



Source: Salomon Brothers Inc.

means higher profits and revenues.

The equipment does not come cheap. In Mexico, for instance, it costs about \$2.5 billion a year, Ms. Smith said. Whereas phone companies in developed countries borrow heavily to build up their networks, Telcel is able to finance its expansion out of cash flow, thanks to generous tax breaks from the government.

Phone companies in the developed world are taxed at a rate of 30 percent to 35 percent, Ms. Smith estimated. Telcel is taxed at roughly 18 percent. And it is guaranteed to operate without competition until 1996.

If governments are babying their phone companies, it is because the companies are still at an embryonic stage of their development. The accepted yardstick for a phone system's market penetration is the number of lines per 100 people. The United States is very well-connected, with 50 lines per 100 as of 1989, Mr. Townsend said; the figure for Spain and Italy then was roughly 30.

By contrast, Argentina had eight lines per 100 in 1989; Chile, 4.4; Ecuador, 3, according to Mr. Townsend. By Ms. Smith's reckoning, Mexico's market penetration was about six lines per 100.

"If you've got that few lines in existence," Mr. Townsend pointed out, "you've got a long way to go to provide basic telephone service." And that service is essential to get a developing economy off the ground. "If you want high corporate activity, and you don't have a lot of phone lines, you've got a

problem." That's why phone companies are the linchpins of Third World privatization programs.

"In general, it appears that whenever a country starts privatizing its industry, the telephone company is one of the first put up for sale," said Peregrine Banbury, head of the investment department of Coutts and Co. in London. "People will need telephones, they will need fax machines. It is the easiest form of communication and it's the most profitable."

There is no doubt the profit motive has become a guiding force behind many a Third World government. Like converts to other new ways of thinking, they have embraced market economics with a rare passion.

"There's a sense that there is an enormous amount of political change going on," Mr. Townsend said. "People feel there's a change going on economically. That whole political area is a bit like Eastern Europe. In Latin America, you have the removal of military dictatorship," such as in Brazil, Argentina and Chile.

When the dictators left, so did the bureaucrats who kept growth at the phone monopolies stagnant for years. Indeed, so far, the developing phone networks do not have much to show for all the changes that have occurred.

"It's more where they're going than where they have been," Ms. Smith explained. "You have many more years of fast growth, whereas in the United States, it's a mature business."

With investors feverishly pushing up share prices on the expectation of growth, are they setting themselves up for disappointment

and a big loss if it does not materialize? Or even if it does?

An example of a phone company in an emerging economy that is starting to come of age is Hong Kong's. Earnings at Hong Kong Telecommunications have been growing at roughly 20 percent a year for the last six or seven years, said Rupert Byng, director of international equities at Barclays de Zoete Wedd in London. Yet, its stock has not been a stellar performer, at least not lately.

"I think one has to be a bit careful about these companies," Mr. Byng said. "People aren't factoring in the enormous capital expenditure needed to keep up the systems. I think people are being optimistic in their earnings projections." But he did add that "as long as the economies grow... the demand for telephone services will continue to grow at a very high rate."

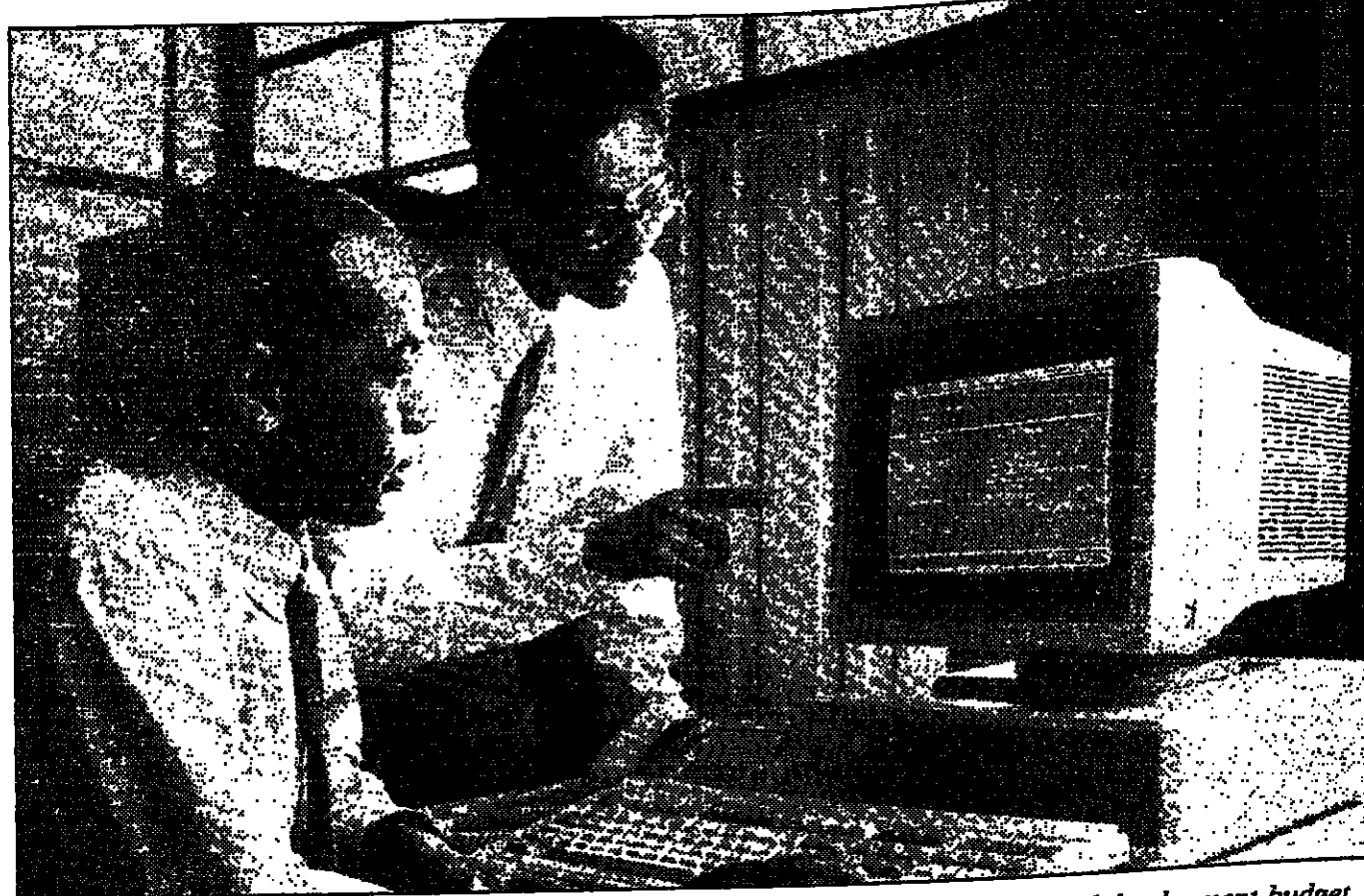
Argentina, Venezuela and Brazil are all expected to privatize their phone systems in the next few years, as is South Korea. Mr. Townsend is excited about the prospect: "I would be waiting with enthusiasm for other privatizations to be coming out of Latin America. You have got such fundamental changes that have occurred... It's very hard to turn around the clock."

Of the ones trading now, he likes Mexico's but is not keen on Chile's. "On an international comparison," he said, "it doesn't look cheap," trading recently at 20 times earnings. Philippine Long-Distance, by contrast, costs just six times earnings, far less than even stodgy American phone companies, which cannot hope to grow at the same pace. Even so, it may not be as cheap as it looks because of the potential for political upheaval.

Mr. Byng argued that Philippine stocks should trade for less than similar issues in other developing markets because "there's the chance of a coup every three years." And just recently, the Manila market sold off sharply as the agreement with the United States on maintaining Subic Bay Naval Station began to sink.

While the risks in the developing world are great and "if the economy doesn't [grow], the phone companies are going to have a tough time," Ms. Smith said, "the opportunity is much greater there than here."

CONRAD DE AENLLE is a Paris-based journalist who specializes in investment topics.



Technicians testing Alcatel software, which takes up much of the company's research and development budget.

Alcatel Sets Out Global Strategy

By Jacques Neher

PARIS — Coming off a recent billion-dollar-plus shopping spree in North America and Europe, Alcatel NV says it is now positioned to compete effectively as a global supplier to the telecommunications industry in the coming years.

By taking control over the past year of Fiat's Telettra unit in Italy, Rockwell International Corp.'s Network Transmission Systems business in the United States and Noranda's Canada Cable & Wire, Alcatel, its executives say, has acquired the "critical mass" required to fund the increasingly expensive research-and-development effort that will be necessary to provide the future generations of telecom technologies.

"We're living through a period of major changes in telecommunications technology, particularly in broadband switching, the new synchronous digital transmission standard and digital mobile communications," said Pierre Suard, chairman of Alcatel as well as its Paris-based parent company, Alcatel Alsthom (formerly known as Compagnie Générale d'Electricité). "Each program means a huge amount of R&D."

He said the acquisition of Telettra and the Rockwell unit — both involved in the development of synchronous transmission systems — will allow Alcatel and the acquired businesses to rationalize their respective research programs and cut out overlapping efforts so that the funds invested can go much further.

The company currently spends over 11 percent of its sales on research and development — an investment of 12.1 billion francs (\$2.1 billion) on sales of 93.1 billion last year — but the outlay soars to more than 20 percent in some sectors, such as transmission.

Much of that money is spent on sophisticated software development, as software now makes up as much as 70 percent of the cost of line-transmission and switching systems.

Because of objections from the EC Commission, Alcatel did not take control of Telettra until last spring, about six months after Mr. Suard cut a deal with Fiat that called for Alcatel Face, the Italian unit of Alcatel, and Telettra to be merged, with majority control going to Alcatel. As part of the deal, the two parent companies agreed to a cross-shareholding alliance in which Fiat was given 6 percent of Alcatel Alsthom's stock, control of a subsid-

iary called Ceac, plus 500 billion lire, while the French company got 3 percent of Fiat's stock.

Telettra, particularly strong in microwave transmission systems, was valued at the time of the deal at around 11 billion francs, and it had 1990 sales of 7.7 billion francs.

In July, Alcatel made its long-awaited foray into the U.S. market, agreeing to pay \$625 million for Rockwell's transmission business, which last year tallied sales of \$439 million.

In addition to seeking benefits from Rockwell's know-how in the next generation of transmission technology, called SONET (Synchronous Optical Networks), Alcatel coveted Rockwell's engineering strength in the field of country adaptation, making standardized products fit the particular specifications of different countries.

But perhaps the biggest motivation for the acquisition of Rockwell, analysts say, was the opportunity it offered Alcatel to launch itself fully into the U.S. telecommunications market, which accounts for a third of the world market.

"This was essentially a bid for market share," said Achmad Chadrin, telecommunications research manager with Northern Business Information in New York. "Rockwell is an established vendor with the Regional Bell operating companies." Last year, he said, Rockwell was the third largest U.S. supplier of transmission equipment, with \$353 million in sales, just behind Northern Telecom, with \$394 million, but far behind AT&T, with \$2.1 billion.

Mr. Suard admitted that the acquisition was partly aimed at short-cutting Alcatel's entry into the U.S. market, where it now can claim a 15 percent slice (AT&T has 60 percent).

"We've learned by our experience that this market is very competitive," he said. "It's very difficult to build market share for this kind of business. You have to rely on long relations with customers and convince them of your reliability and long-term support. For a non-American company, this is quite a challenge."

Although Mr. Suard has no illusions about ever overtaking AT&T in the U.S. market, he believes that Alcatel Network Systems, the new company that incorporates the former Rockwell unit, can capture new business by playing up its international reach and experience.

"The Bell companies are starting to invest outside the United States," he said. "We hope to offer them a window to the outside world." Alcatel's acquisition of Toronto-based Can-

ada Cable & Wire earlier this year, for an undisclosed sum, gave the French company new capacity for the production of fiber-optic cables, a booming sector. With the purchase, Alcatel Cable is now producing 15,000 kilometers (9,200 miles) a year of fiber-optic cable and it has 25 percent of the world market.

While analysts applaud these moves, they predict a growing internationalization of the industry over the next few years and question whether Alcatel, facing new competitors, will be able to hold onto its No. 1 ranking in the telecom equipment market.

"They have made a lot of progress to date that has put them in a very prestigious position," said Mr. Chadrin. "But when you're No. 1, you have to protect your position. There's going to be a rough fight for No. 1 over the next five years."

He pointed, in particular, to second-ranked AT&T, which is fast pursuing its own international development, as well as Northern Telecom and Siemens AG.

Alcatel has 15 percent of the world market for public switches, with installations of its E-10 switch responsible for 40 million telephone lines and its System 12 accounting for another 33 million lines.

LOOKING to the future, Alcatel this week in Geneva will be demonstrating the 1000 series, a family of modular products based on new broadband switching technology that can handle 600 megabits of data per second. The attractiveness of the product, said François Petit, Alcatel's director of business development, is that it does not require phone operating companies to scrap their current switching systems in order to introduce broadband services.

"There's no generalized market for broadband now, but step by step, as broadband demand grows, the operators will just need to add modules," Mr. Petit said.

Although late, like its competitors, in coming to market with new digital mobile phones, Alcatel is optimistic it can make up for lost time and ultimately capture 20 percent to 30 percent of the market, which Mr. Petit projects at 20 million subscribers by the end of the decade. The company already has contracts to supply systems built to the new European standard known as GSM in France, Germany, Italy, the Netherlands and Austria, and it soon is expected to announce the first contract to establish a GSM system outside of Europe.

HOW ABB TURNS ROOF-TOP COMMUNICATIONS INTO BOTTOM-LINE ADVANTAGES



Gunnar Nilsson, General Manager - Business Development and Technology - ABB Data.

Asea Brown Boveri, the European based electrical and power giant, runs two competitive manufacturing plants in Elblag and Wrocław, Poland. Their cost-effective operations depend heavily on reliable communications with the international headquarters and the rest of the world. To achieve this, the two plants are connected directly with the ABB computer centre in Sweden via roof-top satellite dishes.

ABB will use the capacity for telephone, telefax and data communications. The private satellite links, the first of their kind in Poland, were installed through Swedish Telecom International, the Televerket subsidiary responsible

for international communication services.

This is no coincidence. Sweden has a highly digitalized exchange network, more telephones and mobile telephones per capita, and more work terminals per employee than any other market. Televerket welcomes the business world to Europe's most open telecom country.

And, as with ABB in Poland, we welcome any opportunity to turn communications challenges into mutually rewarding business opportunities.



We bring you the competitive edge.

Within Televerket, Swedish Telecom International develops and markets international telecommunication services. For further information, please write or call: Swedish Telecom International AB, P.O. Box 70362, S-107 24 Stockholm, Sweden Tel. +468 700 6000, Fax +468 700 6181

Redefining Germany's 'Hybrid' Telekom

By Peggy Trautman

BONN — With a turnover of more than 40 billion Deutsche marks in 1990, Germany's Telekom rates first among carriers in Europe and third in the world. But it is more than a business. Its role is anchored firmly in Germany's constitution, making it what the Telekom spokesman, Rüdiger Staats, calls a "freik" among carriers.

Telekom is required by law to lead the double life of a provider of public services fulfilling the expectations of its government supervisors and a market-led enterprise meeting the needs of its private-sector customer base.

This "hybrid solution," as Mr. Staats put it, followed a government decision in July 1989 to liberalize the German market and loosen the former Bundespost's monopoly grip on telecommunications services. The Bundespost was split into three sister enterprises: Postdienst, which oversees mail and package delivery; Postbank, which manages the post office bank; and Telekom, the country's carrier.

But according to an official at the Ministry of Posts and Telecommunications, "unification has brought the shortcomings of post reform to light." As Peter Quander, a ministry expert on European Community matters said, "unification on all levels has opened the door even wider for competition," for the simple reason that "no carrier can do the task alone."

Telekom is being called on to rebuild Eastern Germany's dilapidated communications network while working to integrate East German postal workers with the West German work force, which will bring the total of Telekom employees to 250,000. These employees are civil service workers with lifetime contracts.

Telekom investments in Eastern Germany totaled 6.9 billion marks (\$4.1 billion) in 1990, with a long-term goal of spending 60 billion marks on projects there until 1997. The company says it has so far improved services in the East and has installed a digital overlay network of more than 34,000 lines, which went into operation in July — a job it says was done in record time.

In addition, plans call for an increase in phone lines from 1.8 million to 7.1 million; a growth in fax lines from 600 to 300,000; 300,000 mobile phone subscribers by 1997; 120,000 data-transmission lines by that year; and digital switching centers in all German cities by 1993.

But critics at the Frankfurt-based Federation of Post Users (VP) are not impressed. According to Wilhelm Heiber, the VP direc-

tor, the fact that Telekom needed 20 months to install 100,000 telephone connections in Eastern Germany is proof that it "can't handle the job alone."

As a result, some Bonn politicians have concluded that parts of Telekom must be run as a business, but supporters of a move to full or even partial privatization lack the two-thirds majority in the Bundestag to change the constitutional clause that makes telecommunications a government concern. Some in the ruling, Christian Democratic Party, for example, have campaigned for an amendment to the constitution to transform Telekom into a purely private-sector player.

"Having it both ways," Mr. Staats admits, "is harder than anyone thought."

Telekom is headed by a management board controlled by a supervisory body. Members of the management board are civil servants of the

Unification means more competition because one company cannot do the job alone.

former Bundespost and managers from private industry. It is also supervised by the Posts and Telecommunications Ministry, thus giving the government and parliament a say in matters of policy. When it comes to granting operating licenses to competing telecommunications suppliers, for example, the ministry is the final judge.

In 1989, in an effort to silence charges from outside carriers that the German telecommunications market was not as liberal as it claimed, the ministry awarded a license for a second mobile communications operator to an international consortium headed by Germany's Mannesmann Mobilfunk GmbH. It would compete with Telekom's system.

The resultant D-1 and D-2 networks for digital mobile communications were set to go into operation in 1991. But the bill for Telekom's leased lines and services proved to be steep.

According to Peter Mihatsch, chairman of the board of management at Mannesmann Mobilfunk, the tariffs were well over the international average — six to nine times more expensive than those of other carriers. "As a result," Mr. Mihatsch said, "we, the only competition to Telekom, had our hands tied by their price policies."

The matter quickly became a test of the principles of reform and developed into a struggle between Telekom and the Posts and Telecommunications Ministry, headed by Christian Schwarz-Schilling. After examination, the minister proposed a 54 percent cut in leased-line tariffs and a 21 percent reduction in the rates for the use of telephone services.

Although many in Telekom argued that the minister was playing judge and jury in an unfair trial, the government held to its position. According to the ministry, "In the absence of effective competition, these prices were excessive." Furthermore, Mr. Schwarz-Schilling added that "favorable introductory prices are the dictates of economic reason and are in the interest of all customers."

Because the Mannesmann consortium and Telekom could not reach a compromise, the case was brought before the Infrastruktur, a government telecommunications overseer. It approved of Mr. Schwarz-Schilling's suggested tariffs on Sept. 23, achieving what one supplier hailed as a "first real victory for a more liberal market."

The Telekom chairman, Helmut Rieke, admits that "the leased-line tariffs in Germany are expensive, not because Telekom functions in an inefficient manner, but because it is subject to burdens that are spared other international carriers."

The Cologne-based Federation of German Industries (BDI) also thinks Telekom's services cost too much. According to Klaus Lamme, BDI's head of telecommunications policy, the tariffs are too high in relation to those offered by other carriers and this is the hook that catches many companies when they locate in Germany.

ACCORDING to BDI polls, many firms have located the center of their networks outside Germany, opting for Britain's or Belgium's low tariffs. Bank of America, for example, pulled an international processing center out of Frankfurt a few years ago, partly because of the high costs and restrictions on telecommunications usage.

Telekom recognizes this problem and spokesmen there promise they will move to solve the problem, when the organization is free to act as a company.

Mr. Schwarz-Schilling, in a recent interview on German radio, said he would support a partial privatization of Telekom in order to promote a better overall business climate in the German market.

PEGGY TRAUTMAN is a journalist based in Bonn.

WORLD STOCKS IN REVIEW

Amsterdam

Worries about the direction of the U.S. economy and a weakening dollar were reflected in the Amsterdam Stock Exchange's downward trend. The successful reopening of subscriptions to the latest state loan did not bring any change.

The CBS all-share index closed at 194.00, down from 194.90 the previous Friday. Stock volume in Amsterdam reached 2.5 billion guilders, up a little from 2.4 billion the previous week.

Frankfurt

The Frankfurt Stock Exchange was depressed this past week, but finished with only a small loss.

The DAX spot trend index held above the support level of 1,600 points, ending the week at 1,601.73, off 6.7 points from the previous Friday. The Commerzbank indicator ended at 1,845 points, down from 1,869.50 a week earlier.

"No features, no volume," one trader said, referring to the lack of market-moving news.

In the auto sector, BMW lost 7.5 Deutsche marks to 482, Mercedes 8 DM to 538, and Volkswagen 5.5 DM to 351. Continental tires was off 7.5 DM to 201.

AEG, which announced the imminent sale of its most profitable subsidiary, AEG Kabel, tacked on 5 DM to end at 182.

The bond market was firm, and

the average yield declined to 8.57 percent from 8.66 percent.

Hong Kong

Prices rose sharply on the Hong Kong Stock Exchange in active trading during the week with the Hang Seng Index gaining 128.97 points, or 3.3 percent, to close at 4,067.69 Friday.

Average daily volume jumped to 1.48 billion Hong Kong dollars from the previous holiday-shortened week of 831 million dollars.

The Hang Seng reached a record high of 4,093.41 on Thursday before falling back on profit-taking.

The market was boosted by a number of factors during the week,

including the return of institutional buyers after long absences, rumors of interest rate cuts by local banks and strong sales of new apartments, an important indicator in an economy driven by real estate.

London

Stock prices progressed, supported by relief that Prime Minister John Major had decided to defer a general election until next year and speculation about the future of British Aerospace.

The FT-SE 100 index gained 25.6 points on the week to 2,624.6. Rumors that General Electric Co. of Britain was preparing a partial takeover under which BAE

would be broken up dominated brokers' attention from Tuesday to Thursday. But the market's early gains were trimmed by Friday's close after no BAE bid emerged, and after indications that interest rates would remain unchanged for at least three weeks.

BAE's shares finished the week steady at 415 pence, against 413 the previous Friday.

Share in BT, formerly British Telecom, gained 6.5 percent after publication of details of government plans to sell off around half of its remaining 47.8 percent stake.

Milan

The Milan bourse dipped slightly, as the MIB index ended at 1,041 points, off by 0.29 percent from 1,044 the previous Friday.

Average daily volume was 35 million shares, against 26 million a week earlier.

Among leading issues, Generali plunged by 4.33 percent on the week, while Fiat was off 0.57 percent and Pirelli SPA 2.05.

Two De Benedetti companies, Olivetti and CIR, jumped by 8.44 percent and 6.55 respectively.

Paris

The Paris Bourse had a disappointing week on worries about poor U.S. economic performance and mediocre prospects for the French economy, combined with what analysts called a "crisis of political confidence" in France.

The CAC-40 index closed at 1,851.91, down 1.7 percent.

The Bourse mood was dampened by a report from Caisse des Dépôts

that the French government's budget deficit for 1991 would be 10.9 percent of GDP, up from 10.1 percent in 1990.

The market was pleased by the legislature's decision to reduce the stamp tax on commercial transactions, considered a handicap for the Zurich market.

The Zurich market improved, as the Swiss Performance Index ended the week at 1,090.51, up by 10.9 points or 1 percent on the week.

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Boosted by Exports, Taipei Opens Doors

TAIPEI — Following reports on export-spurred gains in the Taiwan economy, the government has decided to further open its markets to foreigners in a bid to upgrade its technology and increase its chances of joining the General Agreement on Tariffs and Trade, a minister said Sunday.

Vice Economics Minister P.K. Chiang told the semi-official Central News Agency that foreign investments in manufacturing, particularly in high-technology fields, would be given top priority.

He also said trade, department stores and construction would be dropped from the list of industries closed to foreign investment. But the government would impose tougher restrictions on foreign-funded companies specializing in importing consumer goods, he said.

The further opening of the Taiwanese economy comes as rising exports are strengthening the Taiwan dollar, making imports less expensive and pushing prices down for the first time in four years.

Economists said the drop in prices could clear the way for lower interest rates.

The consumer price index fell 0.29 percent from a year earlier in September, its first annual fall since October 1987, the Bureau of Statistics said on Saturday. The index dropped a seasonally adjusted 0.74 percent from August.

A bureau official said the drop was largely due to the appreciation of the Taiwan dollar, which has surged from 27.00 to the U.S. dollar at the end of June to 26.38 on Saturday.

Dealers said Taiwan's September trade surplus of \$1.73 billion, the highest since \$1.76 billion in July 1989, sent the Taiwan dollar

up and the currency would be under stronger pressure this week. "I believe the Taiwan dollar will go up to 26.30," one dealer said.

The September figure meant inflation in the first nine months of this year averaged 3.43 percent, below the government target of 3.76 percent.

Aquino Gets Blunt Warning On Inflation

MANILA — Finance Secretary Jesus Estanislao warned President Corason C. Aquino about the danger of galloping inflation in the Philippines unless government spending is kept under control.

"The Philippines' year-on-year inflation rate rose to a six-year high of 19.3 percent in September, up from 19.0 percent a month earlier and from 11 percent in September 1990, according to the National Statistics Office. In a paper prepared for Mrs. Aquino and released over the weekend, Mr. Estanislao warned of the danger of 'galloping' inflation, galloping up to uncontrolled heights."

He said despite pressure to spend more to counter the impact on the economy of the eruption of Mount Pinatubo volcano, it would be "madness" for the government to spend money it did not have.

Inflation is now at the highest level since Mrs. Aquino was swept to power in a popular revolt in 1986.

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Dealers said Taiwan's September trade surplus of \$1.73 billion, the highest since \$1.76 billion in July 1989, sent the Taiwan dollar

up and the currency would be under stronger pressure this week. "I believe the Taiwan dollar will go up to 26.30," one dealer said.

The September figure meant inflation in the first nine months of this year averaged 3.43 percent, below the government target of 3.76 percent.

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NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, Oct. 4.

(Continued)

Sales in 100s High Low Close Net Change

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AMERICAN EXCHANGE OPTIONS

Figures as of close of trading Friday, Oct. 4.

Option & price Calls Puts

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MONDAY SPORTS

In Fast Lane and in Overdrive, Florida State Rallies to Roar Past No. 10 Syracuse

By Malcolm Moran

New York Times Service

TALLAHASSEE, Fla. — The rain-soaked fans in the stands had concern on their faces along with garnet and gold paint. Florida State was losing to Syracuse, the first time the Seminoles had trailed in a game since last October. And then? "They're in the left lane on every play," said Paul Pasqualoni, the Syracuse

COLLEGE ROUNDUP

coach. "In New York, that's the fast lane." The Seminoles intend to be there until the decisive moment on New Year's Day. There apparently are no limits.

After a 14-7 deficit, FSU scored 39 consecutive points in a 46-14 victory that, if nothing else, demonstrated the distance between the top-ranked Seminoles and everyone else.

Qadry Ismail's 44-yard touchdown reception on the second offensive play of the game, and his 95-yard score on a kickoff return with 1:04 to go in the first quarter, shocked the crowd of 61,231.

But FSU quickly built its numbers. The Seminoles' 642 yards were the most allowed by any

Syracuse team, surpassing the 587 that Florida State gained against it in 1978. In the last 52 minutes 21 seconds, the Seminoles outgained No. 10 Syracuse, 609 yards to 64.

Casey Weldon's total of 347 yards passing—35 attempts, 22 completions, 3 touchdowns—was the fourth-highest ever against Syracuse.

Tailback Amp Lee ran for 106 yards against a defensive unit that had entered the game having allowed an average of 62.8 per game. The Syracuse offense, which had averaged 429 yards, was limited to 185.

In other games, The Associated Press reported:

No. 2 Miami 40, Oklahoma State 3: In Miami, the Hurricanes had no trouble putting away Oklahoma State, but Carlos Huerta's NCAA record streak of successful points after touchdown ended at 157 when he sent one wide to the right late in the second quarter.

No. 3 Washington 54, Arizona 0: In Seattle, the Huskies continued to roll as Mark Brunell threw two touchdown passes to Mario Bailey. Washington (4-0) had seven takeaways and sacked George Malanui six times. It was the Wildcats' worst defeat since 1949, when they lost to Michigan State by 75-0.

No. 5 Oklahoma 29, Iowa State 8: Visiting Oklahoma got three scoring passes from Cale Gundy, a sophomore who moved up to eighth on the Sooners' career passing charts on a 12-of-20 day for 206 yards.

A swarming Oklahoma defense had eight sacks, including seven of Chris Petersen, who engineered Iowa State's 33-31 upset in last year's game.

Georgia 27, No. 6 Clemson 12: Eric Zeier, a freshman, threw two scoring passes to Andre Hastings as host Georgia snapped Clemson's eight-game winning streak over two seasons.

No. 7 Michigan 43, No. 9 Iowa 24: In Iowa City, Elvis Grbac threw three TD passes, two to Desmond Howard, and Jesse Johnson ran for 168 yards and two scores as Michigan rebounded from a 51-31 loss to Florida State. The Wolverines gained 371 rushing yards to Iowa's 77.

Michigan overcame an 18-7 deficit for a 19-18 halftime lead, and Grbac widened it to 26-18 when he hit Howard with a 20-yard pass to cap a 64-yard drive. Howard also stung the Hawkeyes early in the fourth period on a 2-yard TD pass from Grbac at the end of a 97-yard drive.

No. 8 Notre Dame 42, Stanford 26: Jerome Bettis ran for three touchdowns and caught a

pass for another as the Irish, on the road, averaged a 36-31 upset that topped them from a No. 1 ranking in 1990.

No. 11 Baylor 38, Houston 21: In Houston, quarterback J.J. Joe accounted for three tallies, and his Baylor teammates intercepted three passes and recovered four fumbles. The victory ended three years of frustration for the Bears against Houston, which had beaten Baylor by a combined 124-49, including 66-10 in 1989.

No. 12 Penn St. 24, Temple 7: Tony Sacca's two scoring passes, a field goal by Craig Fayak and three second-half goal-line stands enabled the Nittany Lions to hold off Temple, a 23-point underdog, in Philadelphia.

No. 13 Florida 16, LSU 0: Shane Matthews passed for 220 yards and a touchdown and Arden Czymerski kicked three field goals. It was the first time since 1985 that Louisiana State had been held scoreless—and Florida did it then, too, 20-0.

No. 14 Ohio St. 31, Wisconsin 16: Raymond Harris ran for two scores touchdowns and Ohio State shut down the visitors' rushing game. Terrell Fletcher ran for 29 yards on second play of the game, but Wisconsin was held to minus-1 yard on 17 rushes the rest of the day.

Southern Mississippi 10, No. 16 Auburn 9: Brian Wood broke up a 2-point conversion pass with 1:33 to play, allowing Southern Mississippi to hold on against Auburn for the second straight year. At home, Auburn drove 58 yards for a touchdown on a 6-yard pass from Stan White to Fred Baxter. White then rolled right and tried to throw to Tony Russell in the back of the end zone, but Wood, a safety, stepped in front and batted the ball away.

No. 17 Pittsburgh 24, Maryland 20: In Pittsburgh, Alex Van Pelt threw for 353 yards and two touchdowns and Vince Williams, a freshman, scored the go-ahead score on his first career carry. Van Pelt was 27 for 45, Pitt improved to 5-0, its best start since going 7-0 in 1982.

No. 18 California 27, No. 24 UCLA 24: In stifling heat in Pasadena, California, Doug Brien kicked a 47-yard field goal with 30 seconds left to cap a fourth-quarter comeback. The victory was the second straight for California over UCLA after the Bruins had won 18 straight games dating from 1971.

After a UCLA punt, the Bears (4-0) moved from their 49 to the UCLA 29. Brien, a sophomore who had not tried a field goal longer than 33 yards, then made good.

No. 19 N. Carolina St. 28, No. 21 Georgia Tech 21: In Raleigh, North Carolina, a two-yard keeper with 2:43 left by Geoff Bender, a redshirt freshman quarterback, lifted the unbeaten Wolfpack. Bender, playing in place of the injured starter, Terry Jordan, completed 17 of 32 passes for 138 yards.

No. 20 Alabama 53, Tennessee-Chattanooga 7: In Birmingham, Alabama, Mark McMillan ran 93 yards with an interception, and Siran Stacy picked up 109 yards and scored twice.

No. 22 Illinois 24, Minnesota 3: Kamemo Bell ran for two fourth-quarter touchdowns for best rushing yardage in the game, 70 yards. Bell, who rushed for 83 yards, caught seven passes for another 72 yards and returned six punts for 51.

No. 23 Texas A&M 37, Texas Tech 14: In Lubbock, Texas, Buckly Richardson rushed for three touchdowns, and Texas A&M allowed only eight yards on the ground. The Aggies gained 443 yards and held a seven-minute advantage in possession time.

San Diego State 47, Hawaii 21: Record-setting freshman Marshall Faulk rushed for five touchdowns in Honolulu to increase his NCAA-leading total to 16.

SCOREBOARD

Major League Standings

(Through Saturday's Games)

AMERICAN LEAGUE

East Division

Team	W	L	Pct.	GB
Toronto	50	39	.561	0
Boston	47	42	.526	3
Chicago	46	43	.516	4
Minnesota	42	47	.470	8
New York	39	50	.439	11
Baltimore	37	52	.413	13
Cleveland	34	55	.382	16

West Division

Team	W	L	Pct.	GB
Seattle	48	40	.548	0
Oakland	47	41	.533	1
Los Angeles	46	42	.524	2
San Francisco	42	46	.477	6
San Diego	39	49	.442	9
California	38	50	.435	10

NATIONAL LEAGUE

East Division

Team	W	L	Pct.	GB
Pittsburgh	48	40	.548	0
Philadelphia	47	41	.533	1
Atlanta	46	42	.524	2
Montreal	42	46	.477	6
New York	39	49	.442	9
Florida	38	50	.435	10

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Team	W	L	Pct.	GB
Los Angeles	48	40	.548	0
San Francisco	47	41	.533	1
San Diego	46	42	.524	2
Colorado	42	46	.477	6
Arizona	39	49	.442	9
St. Louis	38	50	.435	10

Friday's Line Scores

AMERICAN LEAGUE

Team	W	L	Pct.	GB
Cleveland	48	40	.548	0
New York	47	41	.533	1
Minnesota	46	42	.524	2
Chicago	42	46	.477	6
Baltimore	39	49	.442	9
Los Angeles	38	50	.435	10

NATIONAL LEAGUE

Team	W	L	Pct.	GB
Los Angeles	48	40	.548	0
San Francisco	47	41	.533	1
San Diego	46	42	.524	2
Colorado	42	46	.477	6
Arizona	39	49	.442	9
St. Louis	38	50	.435	10

Saturday's Line Scores

AMERICAN LEAGUE

Team	W	L	Pct.	GB
Cleveland	48	40	.548	0
New York	47	41	.533	1
Minnesota	46	42	.524	2
Chicago	42	46	.477	6
Baltimore	39	49	.442	9
Los Angeles	38	50	.435	10

NATIONAL LEAGUE

Team	W	L	Pct.	GB
Los Angeles	48	40	.548	0
San Francisco	47	41	.533	1
San Diego	46	42	.524	2
Colorado	42	46	.477	6
Arizona	39	49	.442	9
St. Louis	38	50	.435	10

Selected College Scores

AMERICAN LEAGUE

Team	W	L	Pct.	GB
Cleveland	48	40	.548	0
New York	47	41	.533	1
Minnesota	46	42	.524	2
Chicago	42	46	.477	6
Baltimore	39	49	.442	9
Los Angeles	38	50	.435	10

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Team	W	L	Pct.	GB
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Dennis the Menace

PEANUTS

BLONDIE

JUMBLE

BEETLE BAILEY

DOONESBURY

GARFIELD

WIZARD OF ID

REX MORGAN

CALVIN AND HOBBES

SALMON? BLECCH?

WON!

WHAT IS THAT INSCRIPTION ON YOUR BLADE?

DON'T LEAVE HOME WITHOUT IT

YOU COULD SAY THAT!

YOU REALIZE IT'S ONLY DO THIS FOR YOU

I MEAN, ONLY JUST LIFT THE MOOD IS FUNNER HEINER!

SURE YOU JUST LIFT THE MOOD IS FUNNER HEINER!

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MONDAY SPORTS

Redskins Rout Bears To Remain Undefeated

Compiled by Our Staff From Dispatches

MIKE DITKA called it "the ultimate test" and the undefeated Washington Redskins made sure the Chicago Bears failed.

The Redskins moved their record to 6-0 Sunday by turning a pair of interceptions into fourth-quarter scores for a 20-7 victory over Dittka's Bears in Soldier Field.

Mark Rypien, who had thrown a 26-yard touchdown pass to Art Monk in the second quarter, hit Monk with a five-yard clinching score with 6:20 left after Fred Stokes had intercepted Jim Harbaugh's pass.

Kurt Gowinski's interception then set up Chip Lohmiller's 23-yard field goal with 4:26 to go and the Redskins rode off with the victory as the Bears fell to 4-2 with a second straight loss.

"This is the ultimate test," the Redskins coach said earlier in the week. "We are going up against the best team in the NFL."

Dittka's Bears (4-3) in Foxborough, Massachusetts, Dan Marino threw two touchdown passes in one minute in the second quarter as Marino came from behind to overcome New England.

Marino completed 25 of 38 passes for 321 yards, becoming the third quarterback in six games to throw for more than 300 yards against the Patriots. His previous high this season was 267 yards in the first game.

The Dolphins led 17-7 at halftime and extended their winning streak over the Patriots to five games over three seasons.

Jets 17, Browns 14: Ken O'Brien completed 19 of 23 passes for 195 yards and Matt Thomas threw a 16-yard touchdown pass on an option play in Cleveland.

Pat Leahy won it with a 28-yard field goal in the fourth quarter, the Jets' only second-half points.

O'Brien started the winning 72-yard drive by hitting Al Toon with consecutive passes of 15 and 30 yards, and Leahy finished it with 10:45 left in the game.

Cowboys 20, Packers 17: In Milwaukee, the Dallas defense played a big part in two touchdowns in a 73-second span and the passing combination of Troy Aikman and Jay Novacek doomed the Packers.

Novacek caught 11 passes for 121 yards as the Cowboys improved to 4-2, their best beginning since 1986, when they were 6-2.

Two interceptions gave the Cowboys a quick two-touchdown lead late in the first half.

Seahawks 15, Bengals 7: Seattle won on the road for the first time this season as John Elway saved a game for the Seahawks with second-half field goals and Cincinnati's last-minute drive came up inches short.

Kurt Warner intercepted Boomer Eason near midfield — Cincinnati's fifth turnover — to end one threat with three minutes left. Then Jeff Kemp gave the Bengals another chance when he threw his third interception of the game.

Cincinnati, using all its timeouts, drove to fourth and five at the Seattle 22. Eason, under pressure, tossed a short pass to Brooks, who was dropped immediately. A measurement found him inches short of the first down with 29 seconds left.

Jets 24, Vikings 20: In Pontiac, Michigan, Barry Sanders scored the winning touchdown on a 15-yard run with 36 seconds left and Rodney Peete threw two touchdowns passes in a 21-point fourth quarter to rally Detroit.

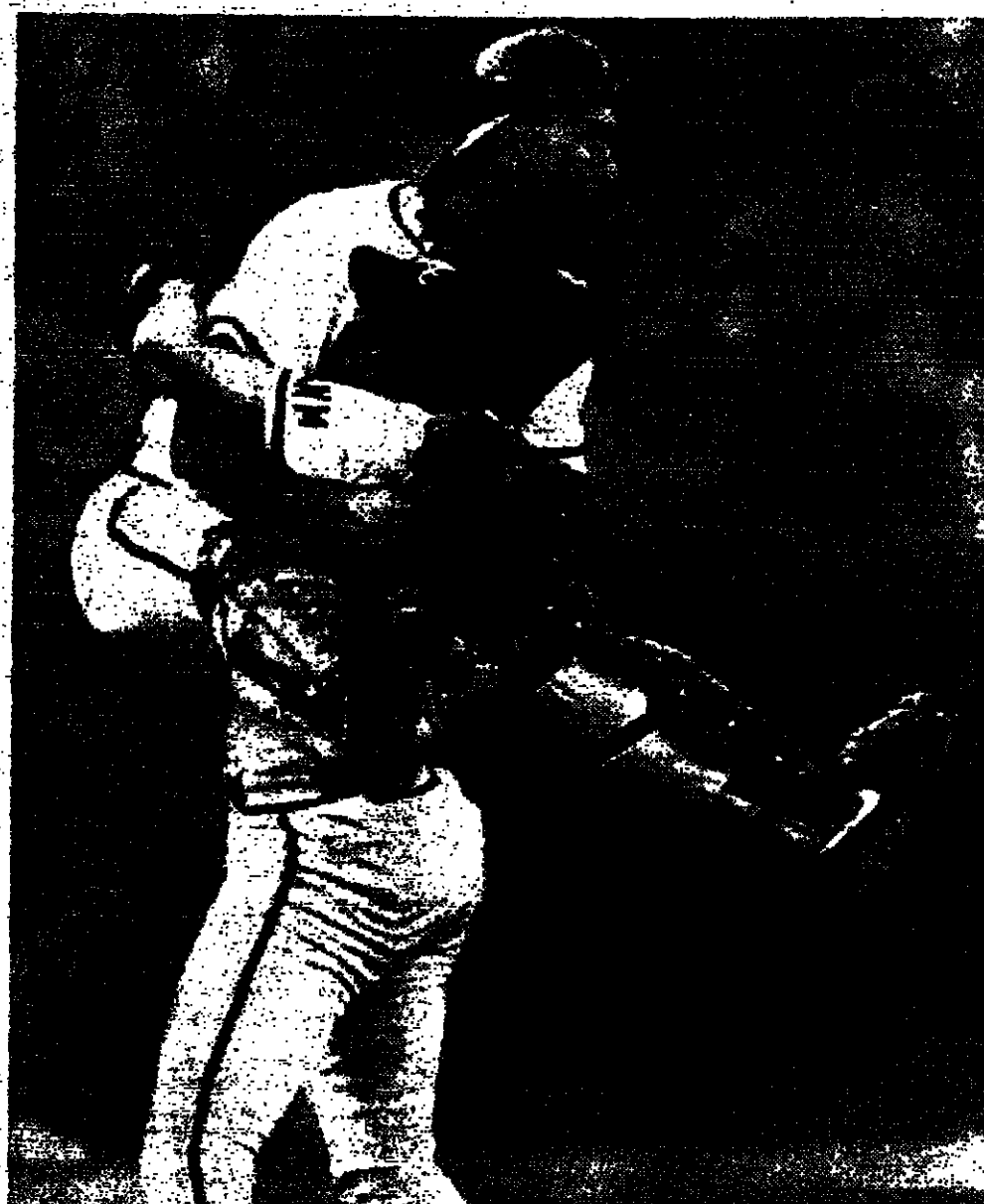
The Lions scored three times in the last 6:20.

Others 42, Broncos 14: In Houston, Chris Dismann set up one score with a 41-yard interception return and scored on a controversial 19-yard run with a fumble to highlight Houston's 20-0 second-quarter and spark the Oilers to a rout of Denver.

The Broncos self-destructed at the end of their first possession when Bo Orlando broke through to block a punt that Bubba McDowell recovered in the end zone for the first of Houston's five touchdowns in the first half.

Bucs 14, Eagles 13: In Tampa, Florida, the Buccaneers ended a seven-game losing streak with a victory over Philadelphia. The Eagles held Tampa Bay to 83 yards total offense before giving up two touchdowns passes to Chris Chandler in the fourth quarter.

(AP, UPI)



Atlanta catcher Greg Olson leaped into the arms of pitcher John Smoltz at the end of the game and, below, the team left the field celebrating the fact that the Dodgers had lost and the race was over.

Braves Are Best in NL West

From Last to First, Finally

By Mark Maske
Washington Post Service

ATLANTA — Maybe the Earth will not be next, but for now, the Atlanta Braves at least have inherited the National League West.

The once meek Braves sent their legions of followers into the streets to celebrate on Saturday. They rode the pitching of John Smoltz to a 5-2 victory over the Houston Astros before 44,994, and when the Los Angeles Dodgers' loss in San Francisco was final, a couple of minutes later, the Braves had clinched their third Western crown in the 23 years of divisional play.

"This is the pinnacle," catcher Greg Olson said in a jubilant clubhouse. "If I play for another 30 years, there's no topping this."

Six months and 161 games of the tightest of pennant races — the past 57 days had seen Atlanta and Los Angeles within 2½ games of one another — came to an abrupt end one day before the regular season's end. The Braves joined the Minnesota Twins, champions of the American League West, as

recorded their most victories in a season since the franchise was moved from Milwaukee in 1966.

When Cedeno's fly ball was caught by David Justice in right field for Saturday's final out, things became frenzied. Moments later, the team and the crowd saw the Dodgers' last out in Candlestick Park on the scoreboard, and an even bigger celebration erupted.

The Braves came back from a 9½-game deficit in early July, and they survived the drug-related suspension last month of their leadoff man, Otis Nixon. They crafted a seven-game winning streak in September, and now they were playing their best baseball of the season.

"All season long, people tried to write us off," said Terry Pendleton, the Braves' third baseman. "And we wouldn't let them. Now we're standing pretty tall."

In other games Saturday, The Associated Press and United Press International reported:

Phillies 1, Mets 0: Terry Mulholland pitched his third shutout of the season, this one in Philadelphia.

Pirates 4, Expos 3: Barry Bonds' run-scoring single capped a three-run eighth in Pittsburgh.

Cubs 3, Cardinals 2: Cubs 7, Cardinals 5: The Cubs swept a doubleheader from St. Louis in Wrigley Field for the first time since 1972.

Padres 10, Reds 7: Danny Bileadello drove in three runs and Tim Lincecum in San Diego.

Orioles 7, Tigers 3: In the American League, with a crowd of 49,289 watching the next-to-last game in Memorial Stadium, Baltimore fought back from a 2-0 deficit to snap a five-game losing streak.

Brewers 13, Red Sox 4: Greg Vaughn and Darryl Hamilton drove in three runs apiece in Boston.

Indians 7, Yankees 5: Mark Lewi is doubled home two runs in the 12th inning in New York.

Twins 3, Blue Jays 1: In a playoff preview in Minneapolis, Scott Erickson became a 20-game winner as the Twins stopped Juan Guzman's 10-game winning streak.

Athletics 12, Rangers 5: Ricky Henderson stole four bases to take the league lead, and had a three-run homer in Arlington, Texas.

Angels 5, Royals 1: In Anaheim Stadium, Lance Parrish and Junior Felix homered in support of Jim Abbott, who ended his best season in the majors with his 18th victory.

Mariners 10, White Sox 0: Pete O'Brien hit two homers and drove in four runs in Seattle.

The Playoffs

NATIONAL LEAGUE
Wednesday: Atlanta at Pittsburgh
Thursday: Atlanta at Pittsburgh
Saturday: Pittsburgh at NL West
Sunday, Oct. 13: Pittsburgh at NL West
Monday, Oct. 14: Pittsburgh at NL West
Tuesday, Oct. 15: Atlanta at Pittsburgh, if necessary
Wednesday, Oct. 16: Atlanta at Pittsburgh, if necessary
Thursday, Oct. 17: Atlanta at Pittsburgh, if necessary
AMERICAN LEAGUE
Tuesday: Toronto at Minnesota
Wednesday: Toronto at Minnesota
Friday: Minnesota at Toronto
Saturday: Minnesota at AL East
Sunday, Oct. 13: Minnesota at AL East, if necessary
Tuesday, Oct. 15: Toronto at Minnesota, if necessary
Wednesday, Oct. 16: Toronto at Minnesota, if necessary
WORLD SERIES
Saturday, Oct. 19: National League champion at American champion
Sunday, Oct. 20: NL at AL
Tuesday, Oct. 22: AL at NL
Wednesday, Oct. 23: AL at NL
Thursday, Oct. 24: AL at NL, if necessary
Friday, Oct. 25: NL at AL, if necessary
Saturday, Oct. 26: NL at AL, if necessary
Sunday, Oct. 27: NL at AL, if necessary

For Dodgers, Pain of No. 2

By Bill Plaschke
Los Angeles Times Service

SAN FRANCISCO — After trembling for weeks under the strain of the Atlanta Braves, the Los Angeles Dodgers' great expectations collapsed upon them, leaving a proud team numb.

After leading the National League West for 133 of 179 days, the Dodgers will spend every day until next April in second place. For a second consecutive day, they could not beat the fourth-place San Francisco Giants in a game upon which their season depended.

The final score was 4-0 Saturday. The final sound was laughter.

"Do I feel sorry for the Dodgers?" asked the Giants' Will Clark. "Ha, ha, ha, ha, ha, ha, ha."

In the ninth inning Saturday, with fans wearing cardboard head-dresses dancing on their dugout, the Dodgers stared at the left-field scoreboard as it relayed news of the Braves' victory over Houston.

Moments later, Eddie Murray grounded out. The Braves had a two-game lead with one game left.

This simple math stunned the Dodgers such that several of them could not bear to leave the dugout.

"It was like a huge weight had just landed on me," said the pitcher Bob Ojeda. "I think it's a weight that is going to stay with me."

It appeared that no weight would be larger than the one carried by Tom Lasorda, the manager. His face was drawn, his eyes swollen.

"It's like walking down the street and finding \$1,000 in an envelope," Lasorda said. "You keep walking and walking, you go about 15 blocks, then when you get to your doorstep, somebody taps you on the shoulder. 'Buddy,' he says, 'you've got my money.'"

The Dodgers led the Braves by 9½ games at the All-Star break, by six games July 28, by one game with four games remaining.

But they gave up six runs in the eighth inning Wednesday to lose to San Diego. The race was tied.

Then Ramon Martinez gave up two home runs in the first inning in a loss to the Giants on Friday. The Braves took a one-game lead.

On Saturday, the offense managed just two singles. The defense made two errors, a bad throw and bad footwork that led to four runs.

The Season Dies Hard

Compiled by Our Staff From Dispatches

The pennant races were decided, but the last day of the regular season still surprised, with Dave Cone of the New York Mets striking out 19 batters in nine innings Sunday to tie the National League record for a nine-inning game.

In equalling the mark of Steve Carlton and Tom Seaver, Cone pitched a three-hitter and led the Mets to victory, 7-0, in Philadelphia.

Sunday also saw 50,700 say farewell to the baseball life of Memorial Stadium in Baltimore, where major league baseball has been played since 1954. The Orioles, who lost to Detroit 7-1, moved to a downtown stadium next season.

Elsewhere Sunday, Roger Clemens struck out 10 to finish the season with 241, but Milwaukee won in Boston, 6-3. And John Smiley joined Atlanta's Tom Glavine as the NL's only 20-game winners as he pitched the Pirates over the Expos, 7-0, in Pittsburgh.

Also, it was the Cubs 7, Cardinals 3, in Chicago; Yankees 7, Indians 4, in New York; Astros 8, Braves 3, in Atlanta; and Blue Jays 3, Twins 2, in Minneapolis.

(AP, UPI)



Wales Is Upset by Fiery Western Samoa, 16-13

Compiled by Our Staff From Dispatches

Western Samoa defied a late Welsh surge to post one of the biggest upsets in rugby history on Sunday, defeating Wales, 16-13.

Helped by a controversial try by center T'oo Vaega early in the second half but fired up by some stunning tackles and powerful loose forward play, the Western Samoans silenced 40,000 fans in the home of Welsh rugby, Cardiff Arms Park. The teams had met twice before, Wales winning both.

Sunday's outcome illustrated the Welsh decline from one of the world's most powerful rugby nations. It also showed the emergence of a Western Samoan team groomed by the defending World Cup champion, New Zealand.

Nine members of the team that faced Wales play in New Zealand. This showed in their well-organized play, especially among the forwards.

The Welsh were not helped by injuries to three players, flank forward Phil May, fullback Tony Clement and back row forward Richie Collins, who all left the game.

The Western Samoans also were helped by a controversial try awarded by the French referee, Patrick Robin.

WORLD CUP RUGBY

of the world's most powerful rugby nations. It also showed the emergence of a Western Samoan team groomed by the defending World Cup champion, New Zealand.

Nine members of the team that faced Wales play in New Zealand. This showed in their well-organized play, especially among the forwards.

The Welsh were not helped by injuries to three players, flank forward Phil May, fullback Tony Clement and back row forward Richie Collins, who all left the game.

The Western Samoans also were helped by a controversial try awarded by the French referee, Patrick Robin.

Suave Dancer, Asmusen: A Truly Triumphant Arc

By Jim Brown
International Herald Tribune

PARIS — The French say of a horse with more action than pace that "il tricot," or he knots.

On Sunday, a tricolor, Suave Dancer, owned by Henri Chahoub, showed he also had plenty of pace by winning the Prix de l'Arc de Triomphe before a crowd of 40,000 at Longchamp in the Bois de Boulogne on a crisp autumn day.

The 70th running of the mile-and-a-half classic brought the winner \$5.5 million francs (\$1.5 million).

Magic Night, a 3-year-old filly now owned by Hideo Yokoyama of Japan, was second by two lengths. In third place another length away was Pistolet Bleu.

The grand favorite of thousands who crossed the Channel for the race was Generous at 9-10. Victor

The score at the half was 3-3 and the second half was only a minute old when Vaega kicked the ball forward after a good break by the Western Samoans. The ball rolled over the try line and the center chanced it along with Welsh scrum half Robert Jones. The Welshman appeared to touch it first but Robin decided Vaega had downed the ball. Vaega converted it for a 3-3 lead.

Ten minutes later back row forward Sila Viala scored a second try after wing Timo Tagaloa had pulled the Welsh defense apart with a powerful run.

Ireland 55, Zimbabwe 11: Ralph Keyes made a record-breaking return to the international arena after a five-year absence by leading the rout in Dublin. He accounted for 23 points to beat the Irish individual match total of 21, set by Ollie Campbell in 1982.

Brian Robinson had four of Ireland's eight tries.

Keyes landed five penalties, converted two pushover tries from Robinson and a touchdown from winger Simon Gheoghean as the Irish took a 33-0 halftime lead.

In Friday's late game:
France 30, Romania 3: In Beziers, France was helped by Romanian mistakes. Romania's usually reliable ace Nicolai Niculescu missed five penalty kicks before halftime and only made one in the game.

Once Again, Seles Hands A Defeat to Navratilova

The Associated Press

MILAN — In a replay of the U.S. Open women's final, top-ranked Monica Seles won the Milan Ladies Indoor tournament on Sunday by defeating Martina Navratilova, 6-3, 5-6, 6-4.

Sunday's victory by Seles prevented Navratilova, 34, from equalling Chris Evert's career record of 157 tournament victories.

Graf Back on Track
No. 2 Steffi Graf defeated Czechoslovakia's Jana Novotna, 6-3, 6-3, on Sunday in the final of the Women's International Tennis Tournament, The Associated Press reported from Leipzig, Germany.

Saturday, Graf needed just 37 minutes to overpower Barbara Paulus of Austria, 6-1, 6-1, showing no sign of the wrist injury that bothered her earlier in the week.

Stefan Edberg bolstered his standing atop the world men's tennis rankings with a 6-2, 6-2, 6-2 victory over American Brad Gilbert in the final of the Australian Indoor championship in Sydney on Sunday. Edberg was playing in his fifth tournament since winning the U.S. Open.

Top seed Guy Forget capitalized on a hard service to beat unseeded Amos Mansdorf, 6-2, 7-6 (7-4), in the final of the Toulouse Grand Prix in France. It was his fifth tournament victory of the year for France's Forget, ranked No. 6.

South Africa was awarded its first major international sports event since being isolated because of its racial policies when the World Doubles Final was scheduled for Johannesburg, where it will run Nov. 18-24.

SIDELINES

Langer Wins German Masters Playoff

STUTTGART (AP) — Bernhard Langer of Germany defeated Roger Davis of Australia on the first playoff hole Sunday to win the German Masters. Langer's birdie on No. 18, for a final round of 68, had tied Davis at 13-under-par 275. Davis had fired a 65 for the second straight day.

On the first extra hole, a par 4, Davis hooked his drive and was unable to try for the green on his second shot because of trees. Langer reached the green in regulation and two-putted for a par; Davis missed his putt for par from 20 feet (6 meters).

Golfers may ground their clubs in a hazard under limited conditions, but they no longer will be allowed to fix spike marks around the hole under new rules adopted by the U.S. Golf Association and Royal and Ancient Golf Club of St. Andrews.

U.S. Open champion Meg Mallon finished with a 3-under-par 216 to win the Daihoku World Women's Championship in Cairns, Australia.

Anthony Signs Big Deal With Knicks

CHARLESTON, South Carolina (NYT) — As National Basketball Association training camps got underway over the weekend, the New York Knicks signed a lucrative deal with Greg Anthony, their first-round draft choice.

The 23-year-old point guard got a six-year guaranteed contract that will pay him \$875,000 this season, with an increase of \$262,500 in each following season. In addition, Anthony received a signing bonus in excess of \$1 million, for a total package worth more than \$7,462,500.

The Miami Heat signed first-round draft pick Steve Smith, Michigan State's leading all-time scorer.

(AP)

For the Record

Olympic champion Alexander Kharlovich's victory Sunday in the superheavyweight category completed a Soviet sweep of the men's world weightlifting championships in Donaueschingen, Germany. The Soviets won 27 medals, including 15 gold.

The U.S. governing body for track and field reinstated 400-meter record-holder Butch Reynolds to run domestically and recommended his two-year suspension for a positive drug test be lifted internationally.

Umpire Steve Palermo got a standing ovation Saturday when he haltingly walked to home plate before a Rangers- Athletics game, making his first appearance on a baseball field since he was shot in the spine when he tried to stop a robbery in Dallas in early July.

Britain's Michael Watson, on a life-support machine since a World Boxing Organization title fight two weeks ago, underwent surgery Friday to help him breathe. A tracheotomy was performed at St. Bartholomew's hospital in London, opening a hole in Watson's throat.

Pernell Whitaker of the United States defeated Jorge Paez of Mexico in 12 rounds on Saturday in Reno, Nevada, to remain the lightweight champion of the world.

Maurice Blocker became the new IBF welterweight champion Friday by defeating Glenwood Brown by decision after 12 rounds.

Kim Yong Kang of South Korea defended his WBA flyweight title on Saturday by stopping Leo Gomez of Venezuela in Seoul.

Festini, the Argentine horse who has earned more than \$2 million by charging from last place, 30 first, did it again Saturday when he charged through the homestretch in Belmont Park in New York and snatched the \$850,000 Jockey Club Gold Cup from Chief Honcho and Strike the Gold in his last strides.

(NYT)

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